

October 6 1995

oaster

lifted

Germany

Vestib

Weekend

هكذا من العمل

FINANCIAL TIMES

Weekend FT
German nobles go under the hammer

Fashion tips from the experts

Road test for a racer

SECTION II

World Business Newspaper

WEEKEND OCTOBER 7/OCTOBER 8 1995

D8523A

Nato chief faces new pressure over corruption claims

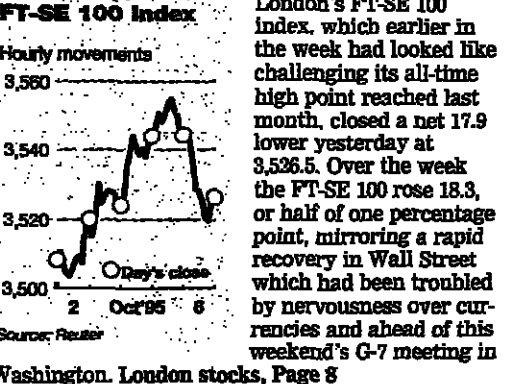
Nato secretary-general, Willy Claes, was expected to come under new pressure to resign his post after Belgium's highest court requested permission from parliament to indict him on corruption charges. The news could unsettle the 16-nation defence alliance at the centre of attempts to negotiate peace in Bosnia. Nato puts future on line, Page 2

Scottish Power wins battle for Manweb: British electricity supplier, Scottish Power, won a £1.1bn (\$1.7bn) battle for control for regional electricity company, Manweb, after gaining just over 80 per cent of the shares. It is the third successful bid for a UK regional electricity company and will create the first group to combine electricity generation with distribution in England and Wales. Bid that sparked a trend, Page 5

Sixth French bomb injures 12: A canister bomb exploded in a litter bin outside the Maison Blanche Metro station in Paris, injuring 12 people. Seven people have been killed and more than 130 injured in six bomb attacks in Paris and the Lyon region since July 25.

Boeing hit by machinists' strike: Machinists at Boeing, the world's leading aircraft maker, began an indefinite strike after rejecting the company's terms for renewing their three-year contract, but the US company vowed to continue manufacturing aircraft. Page 22

FT-SE 100 challenges record high:



Washington. London stocks, Page 5

UK brothers buy Ritz for \$116m: The Ritz, the historic London hotel patronised by royalty and used as a wartime refuge for foreign governments, was bought by UK property tycoons, David and Frederick Barclay, for £75m (\$116m). Page 22 and Lex; Potential in a famous name, Page 6

Japan to cut EU car quota: The European Union and Japan have agreed to cut this year's quota for Japanese cars and light truck imports to the EU from 1,105,000 to 1,073,000, because of weaker than expected demand. Page 2

RWE, Germany's largest utility group, will increase its dividend 16 per cent rise in net profit for the year ending June 30, DM\$22m to DM\$1.05bn (\$755m). Page 6

EU extends cheap drugs ban: The European Commission bowed to pressure from the pharmaceutical industry and extended until the end of the year a ban on the export of lower-priced Spanish and Portuguese drugs to other countries. Page 22

Nissan Motor, Japan's second-largest car maker, said its interim non-consolidated loss for the first half to end-September would be about ¥9bn (\$89.6m), not the ¥30bn initially estimated. Page 6

Daiwa Bank's problems deepened with fresh allegations about its \$1.1bn loss in alleged fraudulent bond trading at its New York branch. Page 3

BBC signs Spielberg deal: BBC Television has signed a five-year deal to premiere up to 40 new movies to be made by Steven Spielberg's Dream-Works SKG studio over the next five years.

Prosecution opens case against West: Briton Rosemary West, from Gloucester, western England, and her husband Fred were a sexually perverted couple who abused young women before killing and dismembering them, the prosecution said in its opening statement. Mrs West, 41, is accused of murdering 10 women. Her husband died in jail earlier this year.

Companies in this issue

Arian Energy	5	Nagara Mohawk	6
Atlantic Richfield	5	Nissan Motor	6
Azlan	6	Outokumpu	6
BWSS	5	RMC	6
Balot Insurance	6	RWE	6
Boddington	5	Rhone-Poulenc Rorer	5
Boeing	1	Schneider	6
Chaplow Racecourse	5	Scottish Power	5
Clarkson (Horse)	5	Statil	5
Daily Mail & Gen Tst	5	Supernace VR	5
Derwent Valley	6	Trafalgar House	6,22
Eurotunnel	1,22	Unisys	1
Fisons	5	Verson Int	5
Greenalls	5,22	Wickes	5
Jourdan (Thomas)	5	Worms & Cie	6
Manweb	5	Yamachi Securities	6
Michelin	6	Yorkshire Bld Soc	5

For customer service and other general enquiries call:

Frankfurt
(69) 15685150

Unisys to split operations into three businesses

By Louise Kehoe in San Francisco

Unisys, the US computer group formed in 1986 by the merger of Burroughs and Sperry Univac, is to split its operations into three independent businesses, scrapping its complex management structure.

The streamlined structure, which will be in place by early next year, will lead to cost savings of about \$400m by the end of next year, Unisys said.

The company, which shed

US computer group expects \$400m of cost savings and further job cuts

about 4,000 jobs last year, said it would further cut its workforce but did not know how many jobs would be affected. A "significant", as yet undefined, charge will be taken against earnings in the fourth quarter to December this year.

The move is the latest in a series of restructuring efforts over the past four years as the company has struggled to improve its financial perfor-

mance by focusing increasingly on growth opportunities in computer services rather than on its declining mainframe systems business.

Unisys returned to profitability in 1992 after three years of heavy losses. However, the company reported sharply lower net profits last year of about \$100m.

Mr James Unruh, chairman and chief executive, insisted that the restructuring was not a

change in strategy, but it would substantially affect the way the company operated.

Under the plan, Unisys will be split into three business units: computer systems, including hardware and software products; information consulting and helping companies to create computer networks; and global support, which includes maintenance and support services. Each unit will have its own

marketing and sales organisation as well as responsibility for its own financial performance.

Mr Unruh said the matrix management structure - with a single sales force and integrated marketing operations - which the company had previously adopted had been necessary when new businesses were being built, "but to move forward successfully requires speed and flexibility".

Over 40 per cent of Unisys's business was now growing at double digit rates, Mr Unruh said. "These new businesses are now large enough and mature enough to be largely self-sufficient in their structure."

Unisys's service businesses now account for about half of its revenues, which were \$6bn in 1994.

Wall Street reacted positively to the restructuring announcement. Unisys stock was trading at \$58 1/2 late yesterday, up from Thursday's close of \$57.

Franc hit by Juppé resignation fears as PM quits home

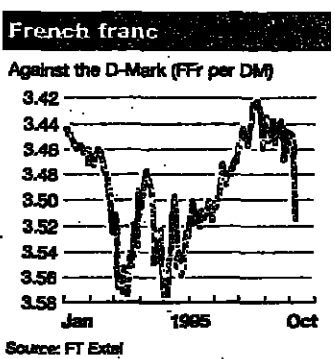
By David Buchanan in Paris

Mr Alain Juppé, the French prime minister, announced yesterday that he and his children would move out of their city-owned flats in Paris in an attempt to ward off allegations that he abused his past position as the city's deputy mayor to house his family.

He made the announcement at the end of a day in which the Bank of France tightened lending to halt a slide in the franc caused by rumours that he might resign as the result of a deepening legal probe into the housing affair.

Mr Juppé's office denied that he had any intention of resigning, but he would be expected to take that step if the Paris prosecutor placed him under formal investigation.

The central bank narrowed its



drop in the franc, which lost 4 centimes to close at FF\$15.10 to the D-Mark, was sparked by confirmation from the Paris prosecutor's office that it had opened a "preliminary" investigation into the allegations surrounding Mr Juppé's apartment. By moving himself and his children, the prime minister said he hoped to "turn the page" on the housing allegations, which had "deeply wounded" him.

His move followed police questioning yesterday of a former city employee on his testimony that Mr Juppé had, as deputy mayor, exercised effective control over allocation of apartments.

The Association for the

Defence of Parisian Taxpayers (ADCP) has asked the prosecutor to investigate Mr Juppé for improper interference in public administration for awarding himself in 1989 an apartment, which was renovated at a cost of FF\$1m and re-let at a rent of FF\$12,000 a month.

These developments come at a bad time for Mr Juppé, who, with President Jacques Chirac, has plummeted in the opinion polls.

Mr Juppé has pledged to cut budget and welfare deficits sufficiently within the next two years to qualify France for European monetary union. But unions have called a general 24-hour strike in the public sector next Tuesday in protest at his plan to freeze public pay next year.

This will underline his difficulty in persuading the country of the need for austerity and also shake the confidence of the financial markets in his measures.

However, the markets took renewed rumours about Mr Juppé's possible resignation badly because they believe France would stand an even worse chance of cutting its deficits under possible successors.

Currencies, Page 10

Boeing hit as 34,000 workers begin strike over contracts

By Michael Skapinker, Aerospace Correspondent

About 34,000 workers at Boeing, the world's leading aircraft maker, yesterday began an indefinite strike but the company vowed to continue manufacturing.

The strike, by the US company's biggest union, comes when Boeing is fighting a strong competitive challenge from Airbus Industrie, the European manufacturing consortium. Airbus last year won more orders than Boeing for the first time, but the US group is likely to be comfortably ahead this year.

The International Association of Machinists and Aerospace Workers, representing about a third of Boeing's 105,000 employ-

ees, began the strike after rejecting terms for the renewal of their three-year contract.

Boeing said yesterday that it would keep its factories open using supervisory staff and non-striking employees. It had planned to make 235 aircraft this year, of which 170 had already been delivered. The strike would inevitably affect production plans, the company said, but it would continue to work on the remaining 65 aircraft as long as it could. But Boeing acknowledged: "Without a third of the workforce, there's going to be some impact."

In the first six months of this year, Boeing won 149 orders, compared with 59 received by Airbus. Airbus yesterday said lead times in the industry were

too long for any manufacturer to increase production to take advantage of a temporary interruption in the output of a competitor.

The Boeing workers' contract would have raised average hourly wages from \$20.37 to \$22.16 over three years, the company said. The average worker would also have received \$3,400 in lump sum payments over the contract period.

Boeing added that the contract increased employee health insurance premiums but there was also another health plan which was free to staff. The union was unavailable for comment.

Boeing said it had informed customers of the latest strike, but had no plans to resume negotiations with the union.

STOCK MARKET INDICES

FT-SE 100: 3,526.5 (-17.8)	US LUNCHTIME RATES	STERLING	DOLLAR
Yield 4.0	Federal Funds: 5 1/4%	New York lunchtime:	New York lunchtime:
FT-SE A-All-Share: 1,743.38 (-0.4%)	3-m Treas Bill: 5.46%	\$ 1.5835	DM 1.423
Nikkei: 18,508.28 (+255.87)	Long Bond: 105 1/2	London:	FFr 4.99445
New York: lunchtime	Yield 4.427%	\$ 1.6809 (1.5828)	Sfr 1.445
Dow Jones Ind Ave: 4,789.33 (+7.22)		DM 2.2559 (2.2631)	Y 100.55
S & P Composite: 583.29 (+0.69)		FFr 7.9278 (7.9488)	DM 1.427 (1.4301)
		DM 2.2559 (2.2631)	FFr 5.0149 (4.9598)
		Sfr 1.445 (1.445)	Sfr 1.445 (1.445)
		Y 100.55 (100.55)	Y 100.55 (100.55)
		E Index 85.1 (85.0)	\$ Index 92.8 (same)
		Tokyo close Y 100.50	

CONTENTS

News	Man in the News	Gold Markets	World Commodities
International News	Companies	Equity Options	Wall Street
UK News	UK	London SE	Bourses
Weather	Int. Companies	USE Outlook	Weekend FT
Up	Markets	Managed Funds	Section II
Features	FT-SE Analysis	Money Markets	
Leader Page	FT-SE A-All-Share	Recess Issues	
Letters	Foreign Exchange	Share Information	



Pope John Paul II, on a visit to the US, celebrates mass at the Aqueduct Racetrack in New York in front of a crowd of 75,000 people.

Eurotunnel suffers heavy loss in first half

By Geoff Dyer and William Lewis in London and Andrew Jack in Paris

Eurotunnel yesterday fired the opening shot in negotiations with its banks as it disclosed higher-than-expected losses for the first half of the year.

Sir Alastair Morton, co-chairman of the Anglo-French operator of the Channel tunnel, rejected a debt-for-equity swap as a solution to the financial crisis which forced the company to suspend interest payments on \$8bn (\$12.4bn) of debt last month.

Interim pre-tax losses were \$464.5m for the six months to June 30, against analysts' expectations of between £300m and £400m.

In a statement that will bring some relief to Eurotunnel's shareholders, who would see their holdings diluted under a debt-for-equity swap, Sir Alastair said: "We will not propose a massive debt-for-equity swap and the banks have not proposed it to us." However he conceded that a swap could not be ruled out as a "last option".

The company intends to present a restructuring plan to its 225 banks by the end of January. It said the plan would need the approval of all the banks. The

Continued on Page 22 Lex, Page 22

For a taste of how the most substantial private investors are treated, put \$10,000 in The Mercury International Portfolio

The most substantial investors choose only the most highly-regarded management houses. They require experts in the world's equity and fixed interest markets to develop a truly global investment strategy for them. And to monitor conditions and prospects continually, re-allocating funds as necessary.

They demand an exceptional level of service. With detailed quarterly valuations and reports, regular reviews of the investment outlook, and ready access to the services of an investment adviser.

But here's the surprise. The Mercury International Portfolio offers the offshore investor all of these benefits, within the convenient and tax-efficient structure of an Isle of Man unit trust. And all you need invest is \$10,000.

So find out more about The Mercury International Portfolio. Contact your financial adviser or call us on Douglas (01624) 662255 or clip the coupon.

Douglas (01624) 662255

To: Mercury Fund Managers, Isle of Man Ltd, 12-13 Hill Street, Douglas, IM1 1EX, Isle of Man. Please send me information on The Mercury International Portfolio. FT IP 4095

Name _____
First name _____ Title _____
Address _____
Postcode _____

MERCURY
ASSET MANAGEMENT
BRITAIN'S LEADING INVESTMENT HOUSE

NEWS: EUROPE

Alliance plays for high stakes by taking on task of policing a settlement

Nato puts future on the line in Bosnia

By Bruce Clarke
in Williamsburg, Virginia

The Nato alliance, which has been struggling to define its role since the Soviet collapse, has set itself a formidable challenge by accepting the task of policing a Bosnia settlement. If it succeeds, it will prove to a sceptical world that its efficiency as a multinational fighting machine makes it well qualified to discharge "out of area" military missions at the United Nations' behest.

If it fails - or if the cost of remaining in Bosnia proves too high for a nervous US public during a presidential election year - then the whole principle of US-European military co-operation could be threatened.

Mindful of the high stakes, Nato defence ministers have been trying, at a meeting in Williamsburg to nail down the terms on which they will deploy up to 70,000 troops.

The operation cannot begin unless forthcoming negotiations in Washington between the ex-Yugoslav republics bear fruit. On balance, most of the ministers in Williamsburg do expect the US diplomatic

Russia, which has traditional ties to the Serbs, is prepared to offer soldiers for a multinational force in Bosnia to enforce a possible peace settlement, a Russian envoy told AP in Rome.

"Russia is prepared to participate in a multinational force to implement the peace accord," Mr Igor Ivanov, Russia's vice-minister for foreign affairs, said after talks in the Italian capital with Mr Richard Holbrooke, the US peace envoy, and other officials.

Mr Ivanov gave no details about the size of the force Russia could send, nor did he outline any demands for its leadership. Nato commanders have said efforts to succeed.

They want Nato to have maximum freedom of action in military activity, while leaving humanitarian and reconstruction tasks to the UN and other civilian agencies.

The Nato mission should have a clear time limit of one year, and the settlement, including the contours of the Serb zone of Bosnia, should be as precise as possible.

The "implementation force" - known as IFOR - could only function if the peace agreement enjoys the strategic consent of the main parties to the

Russia objects to placing its soldiers under command of the western alliance.

Mr Holbrooke said the possible peacekeeping force "will include non-Nato nations", but did not say which ones.

The Rome meetings, which began after Mr Holbrooke arranged a Bosnian ceasefire pact on Thursday, focused on ways to make peace permanent in the region.

Participants included representatives from Bosnia, Croatia and Yugoslavia as well as European, Japanese and Canadian officials. Mr Holbrooke noted that the truce, set to begin on Tuesday, was just a first step in ending the 3½-year civil war.

the parties which are likely to amount in practice to internal borders. This raises awkward questions about how many refugees could return home.

Once the political green light is given, the Nato force is expected to deploy quickly: its nucleus, the British-led command centre of the Allied Rapid Reaction Corps, would be transferred from Germany to Bosnia within 72 hours.

But military might alone will not be enough to guarantee the alliance success in negotiating the political problems it is bound to face - starting with

Peace talks, scheduled to begin in the US on October 25, will now be delayed until about October 30, US officials said.

"Let no one think that peace is imminent or around the corner or that the peace talks will produce immediate results," Mr Holbrooke said.

One obstacle is eastern Slavonia, a small swathe of land seized from Croatia by rebel Serbs in 1991. Serbs agreed in principle earlier this month to return the area, but no date for the transfer has been set.

"This could potentially overshadow and undermine the peace effort in the region," Mr Holbrooke said.

the problem of how neutral it can really be.

On the face of things, Nato's brief will be to "react against any party which violates the ceasefire" and set aside the previous sympathies of member states. Yet even as the force gets to work, at least one member - the US - may be intensifying its efforts to boost the strength of the Moslem-led Bosnian army.

Mr William Perry, US defence secretary, has said Washington will try to promote a general "build down" of arms in the conflict zone, but if

this fails, then the US and other countries would work to "professionalise" the Bosnian army.

European members of Nato have quietly accepted this formula, on condition that every effort be made to promote disarmament. But it remains unclear whether the US and its allies are really on the same wavelength.

British and French officials accept in theory, at least, the principle that the Moslem-led forces are at a disadvantage compared with the Serb-dominated Yugoslav army or the forces of Croatia, and that some case exists for correcting this imbalance.

US officials, by contrast, speak of helping the "federation army": in other words, both sides of the fragile Croat-Moslem coalition which was stitched together last year.

The deep US commitment to Croatia, and the vital role which Croatia will play in providing infrastructure for the IFOR, raise questions about how tough Nato could ever be with forces under Zagreb's control if they violated the ceasefire.

French trial shines light on murky politics

By Andrew Jack in Lyons

There were no television cameras, no endless months of advocacy, and not even a jury. But the trial on corruption charges of a former mayor of Grenoble has been watched closely for the messages it has for France.

In a stark modern courtroom packed with observers in the Palais de Justice in France's third largest city, Mr Alain Carignon and his co-defendants yesterday witnessed the last day of hearings before the three judges who plan to reach a verdict by mid-November.

The trial, which lasted two weeks, has highlighted one of the most significant allegations of political corruption, and links to big business to emerge in France in recent years. It says much about the nature of the development of local politics within the country.

It involves Lyonnaise des Eaux, the giant utilities group currently bidding for Northumbrian Water in the UK, and the mayor's awarding of it and a local partner of a contract to supply water to one France's larger cities, allegedly in exchange for a series of bribes.

It also involves Mr Carignon, a man who became one of the most prominent political figures to be placed by a magistrate under investigation for corruption, in his role as communications minister in the government of Mr Edouard Balladur.

Facing additional charges of attempting to interfere with witnesses, last October he also became the first minister since the creation of the Fifth Republic to be held in preventive detention before his court case.

When Mr Carignon was first elected mayor of Grenoble in 1983, he won on his reputation for being young, radical and independent. If the prosecution arguments can be believed, he soon became tarnished, swept up in the trappings of power and money.

They allege that, from the mid-1980s, he or those connected to him accepted up to FF21m (£2.7m) in presents, flights and a large flat in central Paris. Much of this is claimed to have come via a lobbying company called Whip and paid over by Merlin, a local utilities company described by the prosecution as "the Trojan horse" for Lyonnaise des Eaux, which bought Merlin in 1991.

There were also substantial subsidies, it is alleged, to Dauphiné News, a pro-Carignon newspaper which ran into financial difficulties. In exchange for their contributions, Merlin and Lyonnaise were awarded the municipal water contract in 1989.

The men behind Whip, Mer-



Carignon: verdict awaited

lin, Dauphiné News and the former commercial director of Lyonnaise des Eaux are all on trial alongside Mr Carignon, for whom the prosecutor has demanded five years in prison, a FF500,000 fine and a five-year ban on public office. Their defence is largely one of denial, and of no concrete evidence linking any payments strictly to the award of the water contract.

The broader question for France is whether such scope for potential corruption remains in the award of public service contracts. The early 1980s, which brought considerable devolution of power and money from central government to local authorities, opened up considerable scope for corruption.

A number of measures have since been taken to increase accountability. Laws passed since 1992 have banned political contributions by companies, increased transparency and competition in the award of contracts, and limited the length of time for which contracts can last. Companies such as Lyonnaise des Eaux have also introduced their own ethics codes.

As the recent investigations around Mr Alain Juppé, the prime minister show, there is also the growing power and apparent willingness of judges to launch inquiries, backed by a new sense of indignation in both the media and public opinion.

As for Mr Carignon, he has suggested he will still be keen to run again in the next municipal elections in 2001. But his Gaullist supporters were ousted in the most recent elections in June by the Socialists, who were allied with the ecologist candidate who helped expose the allegations against Mr Carignon.

Furthermore, the new administration is considering taking back into its ownership the operation of water, in the light of prices which local residents have seen rising threefold in the six years since privatisation.

Austrian government teeters

By Eric Frey in Vienna

The conservative Austrian People's party broke off negotiations with its Social Democratic coalition partner on the country's 1996 budget yesterday, pushing the nine-year-old government to the brink of collapse.

Mr Wolfgang Schüssel, chairman of the People's party (ÖVP), said the latest budget proposals of the Social Democrats (SPÖ), senior partner in the coalition, were not acceptable because they did not include sufficient spending cuts.

He said he would rather leave the coalition and would not mind new elections before the end of the year.

Mr Franz Vranitzky, the

chancellor and SPÖ chairman,

rejected talk of a breakdown of the coalition and expects the budget talks to continue today. However, even within his own party, few believe agreement can be reached. The ÖVP leadership was meeting last night to discuss further steps.

According to party sources, the conservatives are determined to leave the government. They are not interested in forming a new coalition and reject any co-operation with the right-wing Freedom party of Mr Jörg Haider, who has repeatedly promised to support a ÖVP minority government in parliament.

The SPÖ could bid for the support of the left-wing Greens and the Liberal Forum, the two smaller opposition parties, but

that would not achieve a majority in the 185-seat parliament. This makes elections in December the most likely outcome.

A wild card is Mr Thomas Klestil, the federal president, who has been urging the parties to continue the budget talks and keep the coalition together. He could delay the dissolution of the parliament, but could not prevent it if no functioning government can be formed.

The relations between the SPÖ and ÖVP have deteriorated ever since both suffered large losses at the last elections in October 1994.

The driving force behind the breakdown is Mr Schüssel, elected leader in February as a compromise candidate, who

has proven to be far more decisive than expected. By going for new elections, he is hoping to surpass the Social Democrats and to replace Mr Vranitzky as chancellor. But if the ÖVP continues to lose votes, this could pave the way for the charismatic Mr Haider, an unabashed populist, to lead the next government.

Yesterday's events seemed to spell the end of Mr Vranitzky's nine-year term as chancellor. He has been losing popularity in recent months and has ruled out any other coalition than with the ÖVP.

After decades of stability in a political system dominated by the co-operation between the two parties, Austria now seems to be heading into unknown territory.



The presiding judge in the trial of former Italian prime minister Giulio Andreotti on Mafia charges began last night to consider whether proceedings should be moved to Rome. Judge Francesco Ingargiola, presiding over the hearing in Palermo's high-security courthouse, and two other tribunal judges were inspecting papers relating to Mr Andreotti's alleged complicity in the murder of a journalist in Rome in 1979. Yesterday's brief court session was the first since the trial opened at the beginning of last week. Mr Andreotti, pictured above talking to reporters in the courtroom on the opening day, was not present yesterday.

Japanese vehicle quotas trimmed

By Emma Tucker in Brussels

The European Union and Japan have agreed to cut this year's quota for Japanese car and light truck imports to the EU, because of unexpectedly weak demand in the 15 member states. The number would fall from 1,105,000 to 1,071,000, said a Commission official, adding that the cut was "theoretical" since Japanese exports would fall well short of that.

The quotas are set under a 1991 monitoring agreement which allows for import ceil-

ings to be negotiated every year based on projections for EU car demand.

The agreement also contains measures aimed at gradually opening up the EU market, with a view to removing all restrictions by the end of 1999.

Liberal critics argue that the quotas are meaningless and should be scrapped since Japanese imports consistently fall short of them.

However, they serve as a comfort to European car producers and also encourage Japanese manufacturers to move

production inside the EU.

Brussels forecast in March that the EU car market would grow by 4.3 per cent this year but has since lowered the figure to 1.7 per cent.

The official added that imports from Japan this year were expected to fall about 100,000-150,000 short of the new ceilings, because of sluggish demand in the EU, and also because of the strong yen. Last year imports reached 615,811, considerably short of the 993,000 quota ceiling.

Individually, the quota for

France will be reduced from the 99,600 agreed in March to 88,700; Italy's from 66,800 to 55,300; Portugal's from 39,500 to 32,800; Spain's from 42,900 to 40,400; and Britain's 186,300 to 182,700.

The quotas do not cover Japanese cars manufactured inside the Union.

A Commission official said reducing the quotas was of no practical consequence for this year, but there was no desire to scrap them altogether since the situation could change next year.

Debt talks bring capital markets within Russia's reach

Approval of \$30bn London Club accord - by no means a foregone conclusion - would have wide implications for Moscow, write Graham Bowley and Chrystia Freeland

A preliminary deal reached in London this week could herald a restructuring of Russia's commercial debt before the end of the year.

Reached after four years of bumpy negotiations, it must be approved by the Russian government and the commercial creditors. If that happens, it is expected to have wide implications for Russia, increasing the confidence of western investors in the economy and improving Moscow's prospects for borrowing money abroad.

"We are clearly closer to an agreement than ever before," said Mr Jonathan Hoffman, chief economist at CS First Boston in London. "For Russia and the Russians this is going to be a big step forward for its international creditworthiness."

One of the many casualties

of the collapse of the Soviet Union was Moscow's international credit rating. Under Soviet rule, the Kremlin had earned a reputation for paying its foreign bills punctiliously, but when the communist edifice began to crumble in 1991 the USSR defaulted on its loans. Since then, Russia, which inherited the Soviet debt, has not yet reached a new deal with the country's foreign creditors.

The putative agreement concerns what is known as London Club debt - the \$30bn or so which Russia owes a group of 600 western commercial banks - on which no repayments, of principal or interest, are currently being made. A

restructuring deal is crucial because, without one, Russia is unlikely to be able to borrow on international capital markets.

In an effort to finance its budget deficit without resorting to the traditional practice of simply printing money, the Russian government has launched an ambitious domestic borrowing programme. It would like to supplement the rouble-denominated treasury bills with debt issues aimed at western capital markets.

"It [a London Club deal] is of great importance for the Russians, probably more so than for the commercial banks, if they [the Russians] want to get fresh financing from interna-

tional markets," said Mr Igor Sitin, vice-president responsible for emerging markets at the Bank of America in London.

According to the technical agreement reached in London this week the defaulted debt would be restructured into new loans to be repaid over 25 years, with an interest rate of 81.35 basis points (one basis point is one one-hundredth of a percentage point) over the London Inter-Bank Offered Rate (Libor). There would be a seven-year grace period, during which no principle would be repaid.

Russian and western observers see the deal as a shift in Moscow's favour; the commer-

cial banks were pushing for a 20-year grace period. "Our views have made great progress," said Mr Mikhail Kasanov, head of the Russian finance ministry's foreign debt department. He said the western commercial banks saw the new terms as "ambitious" but believed they would approve them.

Paradoxically, however, some observers are concerned that Russia could scupper the deal. They fear that the nationalist, anti-western fever which is taking hold of Russia as the country prepares for December parliamentary elections could block an agreement. One rallying point for nationalist objec-

tions could be the fact that, under the draft agreement, Russia would fully repay its debt, in contrast with other countries, such as Poland, which were granted generous debt forgiveness when their loans were restructured after the collapse of communism.

"We should not underestimate the political resistance in Russia to the deal," Mr Hoffman said.

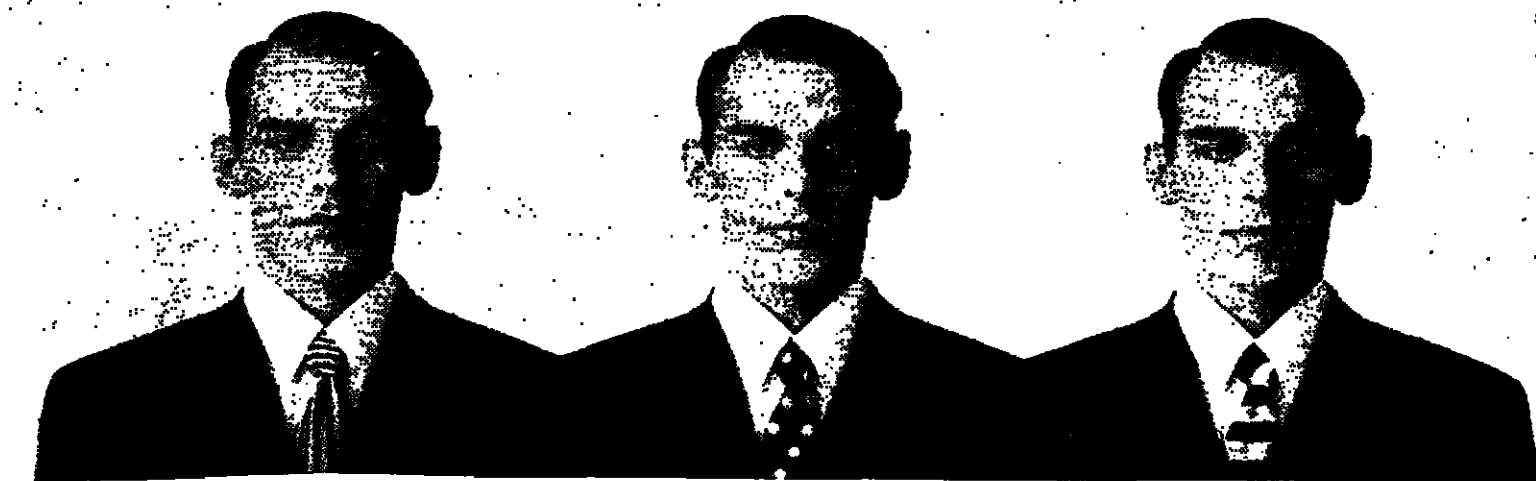
If an agreement is not reached before the December 17 elections, some believe it could be years before Russia negotiates a deal. Recent opinion polls suggest that the legislature will be dominated by anti-western communists and nationalists who might thwart

an accord with the western commercial banks.

"If we do not get it [a deal] this time, then we can forget about it for a long time," Mr Sitin said.

If the agreement is approved, Russian debt could rise to prices as high as 45 per cent of face value from its current level of 32.5 per cent, in the view of some analysts. But for now, with Russia's volatile political climate in mind, debt traders are taking a cautious approach.

"The risk that people are looking at now in terms of buying and holding the debt is whether a more anti-western parliament gets put in place," said a trader at a US bank in London. "The move [this week's preliminary agreement] is a step in the right direction, but the big question mark is the political risk."



IF YOU THINK ALL MONITORS ARE VIRTUALLY IDENTICAL

IT'S TIME YOU TESTED AN EIZO.

There is a difference. And it's bigger than you could possibly imagine. To arrange a demonstration just telephone 01483 757118 or fax us on 01483 757121. Make a better business decision. Put EIZO PDS to the test.

EIZO

BECAUSE NOT ALL MONITORS ARE CREATED EQUAL

UNIT 7, GENESIS BUSINESS PARK, ALBERT DRIVE, SHERWOOD, WORKING, SURREY GU21 5RW. INTERNET: SALES@PDS.CO.UK

مكتبة الأصيل

'Golden age' economy expanding at stable 2.5% annually after weakness earlier this year

Rise in US jobs points to steady growth

By Michael Prowse
in Washington

US payroll employment grew modestly last month, providing further evidence that the economy is returning to a stable growth path after weakness earlier this year.

The Labour Department said non-farm employment rose 121,000 last month, slightly less than Wall Street economists

expected. However, following a robust increase of 262,000 in August, the latest figures were consistent with annualised economic growth of about 2.5 per cent, in line with the economy's long-run potential.

The employment gain was sufficient to hold the jobless rate stable at 5.6 per cent, but not large enough to put upward pressure on inflation.

"The economy is gliding along its full-employment ceiling," said Mr Robert Dederick, economic consultant at Northern Trust, a Midwest bank. "Growth is neither too fast nor too slow - the Federal Reserve is getting better news than any central bank deserves."

"This is a 'golden age' economy," said Mr Allen Sinai, chief economist at Lehman Brothers, the New York investment bank, referring to the low

joblessness rate, lack of upward pressure on inflation and continuing strength of corporate profits.

The Fed last month decided not to cut interest rates because the economy appeared to be rebounding naturally from sluggish growth in the second quarter when gross domestic product grew at an annualised rate of 1.3 per cent.

While generally encouraging,

yesterday's figures showed that job growth remains concentrated in the service sector. Employment in services rose 106,000 last month, with solid gains in retailing and health-care. Construction added 16,000 jobs.

Employment in manufacturing, however, fell 32,000, bringing total job losses since March to 200,000. The sector was forced to cut production earlier

this year following an unexpected rise in inventories of unsold goods.

That adjustment, however, is now thought to be largely complete.

Many economists regard job losses in manufacturing as the by-product of a sharp improvement in productivity, which is growing at an annual rate of 2 per cent, twice as fast as in the upturn of the 1980s.

Donors may follow US in cutting contributions to soft loan fund

World Bank fears cash shortfall

By George Graham
in Washington



The World Bank plans to ask donor countries for \$13bn (\$2.3bn) to top up its soft loan fund for the next three years amid severe doubts about the willingness of donors to provide funds.

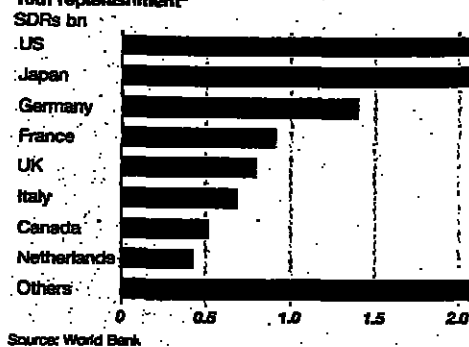
Faced with the certainty of a sharply reduced US contribution, Bank officials are trying to draw up a scheme they hope to finalise in Luxembourg next month that will prevent other countries from slashing donations by the same proportion.

Senior finance ministry officials are to meet in Washington next Thursday to discuss the 11th replenishment of the International Development Association, the World Bank arm which lends at 0.5 per cent interest to the poorest nations.

One day earlier, delegates from the US Senate and House of Representatives will meet to draw up a compromise foreign aid budget for the next 12 months. The best the Clinton administration officials hope for from this meeting is a payment of \$775m towards the US pledge for the current round of

International Development Association

10th replenishment SDRs bn



Source: World Bank

IDA, known as IDA-10. That would leave the US \$833m in arrears on its current IDA promises and the prospects of further commitment to IDA-11 remote.

World Bank officials have surveyed the borrowing needs of the 78 countries with incomes below \$955 a head eligible to borrow from IDA and estimate they will need 15.5bn special drawing rights (\$14.43bn) over the three years from July 1 next year.

But about SDR6.3bn can be found from money carried over from the current IDA round. Bank profits and repayments on earlier IDA loans.

That leaves SDR9bn to be

found from donors, a sharp reduction from the SDR12.5bn raised in the 10th IDA replenishment three years ago.

Even if the US gives no money at all, other donor countries could still meet this total with lower pledges than they made in 1992.

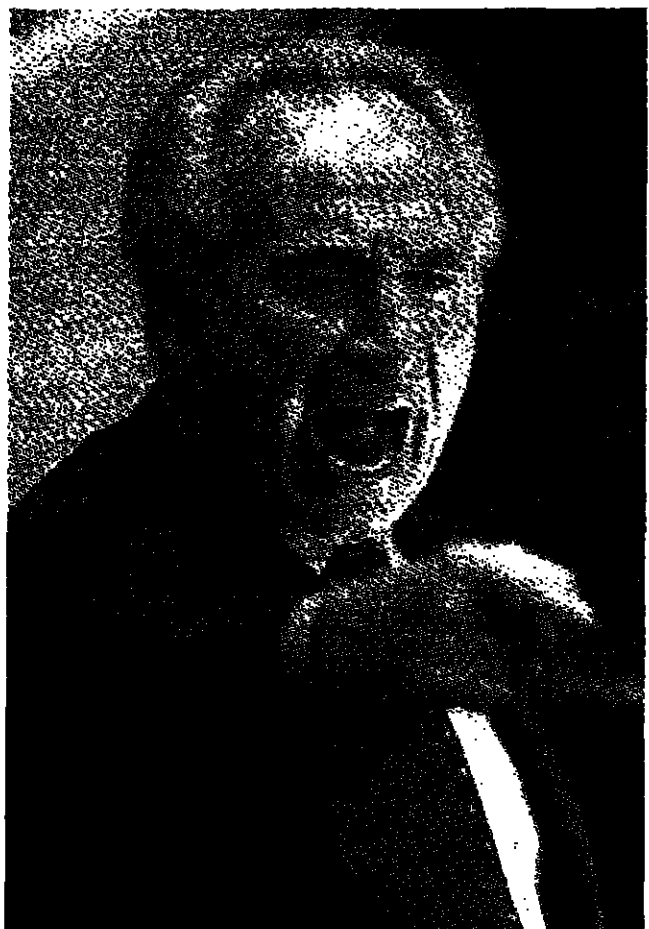
But IDA countries have always insisted on applying a strict burden-sharing formula. Under this, the US share would be roughly \$2.75bn, a figure no one regards as even remotely achievable. "The question is: how do you balance the desire for burden-sharing with the desire for SDR9bn?" said a Bank official.

Ten years ago, when the US

had once again reneged on its IDA promises, other donors set up a parallel fund which lent for the same purposes but barred US companies from benefiting from procurement contracts in the projects it financed. IDA is again looking at a similar scheme.

IDA is not the only soft loan window to be feeling the US budget squeeze. Soft loans are particularly important for a dozen heavily indebted low-income countries in Africa and Latin America which cannot afford to take on market rate debt which they cannot service. But neither House nor Senate has allocated any money at all to the IMF's Enhanced Structural Adjustment Facility or to the African Development Bank's soft loan fund. Some money is earmarked for the Asian Development Fund, but not enough to clear the US's \$430m of arrears.

Soft loan funds have suffered twice over because others have scaled back contributions in proportion to the US shortfall. Germany and Canada have done so for IDA, and a much longer list of mostly European countries have withheld \$470m from the Asian fund, which Mr Mitsuo Sato, the ADB's president says looks likely to run out of money next year.



Israeli foreign minister Shimon Peres shouts during a stormy 15-hour Knesset debate on the peace accord with the Palestinian Liberation Organisation. It ended in a 61-59 vote to ratify the deal, which extends Palestinian self rule in the West Bank. Thousands of right-wing Israelis who oppose the accord besieged the parliament after a torch-lit procession through Jerusalem.

Daiwa 'misled' US regulators

By Gerard Baker in Tokyo and
Maggie Urry in New York

Daiwa Bank's problems deepened yesterday with fresh allegations about its \$1.1bn (\$710m) loss in alleged fraudulent bond trading at its New York branch. Bank officials refused to confirm reports that the company's employees in the US had deliberately misled regulators when the New York offices were inspected in the early 1990s.

Kyodo, the Japanese news agency, also reported last night that Mr Akira Fujita, the Daiwa Bank president, and Mr Sumio Abekawa, the bank's chairman, would formally announce their resignations on Monday to take responsibility for the bond losses.

According to Japanese newspaper reports, attributed to Daiwa employees, the bank temporarily moved several of its bond traders and some of its financial accounts shortly before an on-the-spot inspection of its local operations by the New York Federal Reserve in November 1992.

The staff, including Mr Toshitake Iguchi, who was charged last week in connection with the losses, were said to be moved from the bank's downtown Manhattan office to its midtown branch. The bank had been under pressure to split its bond trading and bond custody operations, as it had repeatedly promised to do.

The failure to separate the two offices was crucial in allowing Mr Iguchi to conceal his loss-making trades for a period of 11 years from 1984. As long ago as 1986, the reports said, the bank told New York

officials that its downtown office would only keep records of transactions and would not trade, but it continued to operate a dealing room there for a further seven years.

When US officials discovered the dual operation at the downtown office they immediately demanded that it be split. In charges published on Monday, the Federal Reserve said that it and the superintendent of the New York state banking department "were led to believe by Mr Iguchi and other officials at the New York branch that lines of authority were changed in November 1993 so that Iguchi was no longer responsible for both the branch's trading and custodial operations".

But, the charges said, the authorities have "reasonable cause to believe" that those reporting lines were not changed.

Daiwa Bank's headquarters in Japan are said to have conducted an internal investigation of the branch in November 1993 and to have discovered the deception. They then informed the New York authorities of the failure to comply with the Fed's instructions. Senior local officers of the bank were reprimanded at the time.

If confirmed, the reports will prove deeply embarrassing to Daiwa, since they suggest a lack of management control by the bank's head office in Osaka of one of its most important overseas branches. They are likely to prompt intensified supervision of Japanese banks' overseas branches and subsidiaries by regulators around the world.

Business over 38 bottles of sake

Japanese taxpayers are shocked by the cost of entertaining officials

The lights in Ginza and Akasaka, two of Tokyo's famous night spots, have dimmed as Japan's recession has taken a toll on corporate entertainment. But the tightening of the private sector purse appears to have had little effect on government officials, who have been lavishly dining and drinking one another at public expense.

Cultivating central government contacts is part of the job description of local government officials, but the Japanese public has concluded that their enthusiasm for the work goes beyond the call of duty.

Taxpayers have been shocked by the discovery that their money is going into buying meals of costly crab, wine at ¥33,000 (\$210) a bottle, and an evening out with escorts at ¥20,000 a sitting. Much of the entertaining is of officials at ministries which allocate public works projects and other financial favours.

The Tokyo office of Wakayama prefecture spends much time wooing officials at the ministry of agriculture, forestry and fisheries, and the ministry of construction. Officials from the two ministries, useful for a somewhat remote prefecture in western Japan dependent on fishing and forestry, were entertained on a total of 90 occasions in fiscal 1993 at a cost of ¥9.8m.

The prefectural government of Miyagi, in northern Japan, has admitted that it spent ¥888.9m on food in 1993, of which at least ¥360m was spent on entertaining central government and other local government officials.

In many cases, the funds used to pay for these evening sessions come from so-called "food costs", provided to local governments as part of public works subsidies to cover such expenses as the cost of serving tea and cakes at meetings. Even in Japan, where close

personal relationships are valued highly in all corners of life, and after-hours drinking is for many a daily routine, the amount of entertaining that goes on by public servants of other public servants seems excessive.

Citizens' groups, which triggered the controversy, say the entertaining of bureaucrats does not end in the restaurant but goes on to bars, night clubs and beyond. On one occasion, a party of four dining at the expense of the Tokyo office of Akita prefecture emptied 38 bottles of sake.

Local government officials protest that such consumption is a crucial part of their job. "The ombudsmen have been very critical, but in Japan such entertaining has a beneficial role to play," says Mr Tetsuo Enamiya, director of the Tokyo office of Kochi Prefecture.

Others argue that the real problem lies not so much in the entertaining but in the concentration of power in Tokyo.

"In a country where power is concentrated in the central government, this kind of public entertaining is required," says Mr Tetsuo Iwakuni, former mayor of Idemitsu.

Although Mr Enamiya admits clearer guidelines and financial limits need to be placed on the entertainment of central bureaucrats, he points out that for officials from a far-away region, taking them out is an effective way to convey the prefecture's needs to the central government.

"It is not possible to do this just by exchanging business cards. Things that might take 10 days for us to accomplish can be done in just two or three hours. We do not wine and dine bureaucrats, sacrificing family life and at the risk of ruining our health because we want to, but because we believe it works," he says.

Michio Nakamoto

MINISTER TO QUIT IN LOANS SCANDAL

By William Dawkins
and Kyodo in Tokyo

The Japanese justice minister, Mr Tomokazu Tazawa, is expected to resign by Monday in the wake of press accusations of failing to disclose a loan from a religious group.

Mr Tazawa has denied trying to cover up the receipt of ¥200m (\$1.3m) from Risho Koseikai, a Buddhist organisation which supports the Liberal Democratic party, of which the minister is a member. The organisation says the loan was fully repaid. The revelation that a government minister borrowed money from a Buddhist group is an embarrassment to the ruling coalition, as it is struggling to

obtain parliamentary approval for a proposed law to tighten official regulation of religions.

The draft law is intended to avoid repetitions of the tragedy allegedly wrought by Am Shintokyo, a mystical sect which is believed to have carried out the nerve gas attacks on the Tokyo subway last March, in which 12 people died. The cult's spokesman and de facto leader, Mr Fumihiko Jyo, was arrested early today.

However, other more respectable religions, some of which play an important part in national politics, believe the proposal is also against their interests. It has aroused protests from the opposition New Frontier party, which

benefits from the backing of Soka Gakkai, far larger and more powerful than Risho Koseikai. The law has split the LDP religious and non-religious members and exposed the complex, sometimes uncomfortable, relationship between politics and religion in Japan.

Mr Tazawa denied allegations that he had asked the political opposition not to ask a parliamentary question about the loan, in return for a promise to vote against the religious law.

Officially, the Japanese constitution bans religions from exercising political authority. But in practice, any politician able to win endorsement from a powerful religious group such as Soka Gakkai is almost guaranteed electoral victory.

INTERNATIONAL NEWS DIGEST

IMF seeks big capital increase

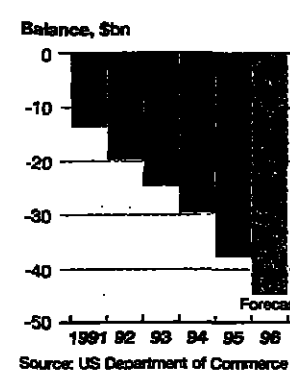
The International Monetary Fund would like to see a significant boost in its capital. Mr Philippe Maystadt, chairman of its policy-making interim committee, said yesterday. Mr Maystadt said a majority of Fund members appeared ready to support a "substantial increase" in the quotas or subscriptions which determine each member country's shareholding in the institution. He estimated a 60 to 70 per cent increase would be feasible, but agreement by the US would be crucial. The possible quota increase will be the first item on the committee's agenda tomorrow.

The interim committee is also expected to endorse proposals to speed the Fund's response to financial crises like that which overwhelmed Mexico at the turn of the year. This "emergency mechanism" or "procedure" would, for example, require the executive board to decide on an emergency loan within 48-72 hours.

Robert Chote and George Graham, Washington.

US fears growing China deficit

US/China trade



Source: US Department of Commerce

The US expects its trade deficit with China to reach \$38bn (\$24.5bn) in 1996 and \$45bn to \$50bn in 1996. "Just to be candid, our side of the bilateral relationship is not so rosy," Mr Lee Sands, assistant trade representative for China and Japan, told a business seminar in Hong Kong yesterday. "US exports to China rose only 6 per cent last year, despite the competitive strength of our industries. It is possible that in a few years our deficit with China will be larger than the deficit with Japan." The US had a trade deficit of \$30bn with China in 1994, second only to its \$66bn deficit with Japan. It recorded a \$108bn global deficit last year. Mr Sands said 40 per cent of China's exports went to the US, making it China's largest and only truly open export market.

Reuters, Hong Kong

Italy cuts helicopter order

Italy has ordered 16 Anglo-Italian EH 101 helicopters, worth more than \$300m, after a delay of more than two years. The order is much smaller and less costly than expected. Italy had been expected to order 34 anti-submarine warfare versions of the EH 101.

Instead it will buy only eight ASW helicopters with eight substantially cheaper surveillance and transport versions of the EH 101. The helicopter has been developed equally between Britain and Italy and the two countries were expected to order roughly equal numbers.

Britain has already ordered 66 EH 101s, including 44 of the anti-submarine version, while Italy has now only ordered a quarter of that amount. Despite that, Augusta of Italy will get more than 50 per cent of the work on the Italian order, and is entitled to half the work on all the UK versions. Budgetary constraints in Italy are thought to have delayed and reduced the value of the order. When the UK ordered 22 transport versions in March, it admitted the order cost \$300m more than US helicopters. Development costs of more than \$3bn have been split equally between the British and Italian governments. Westland and Augusta both hope for exports to the Middle East.

Bernard Gray, Defence Correspondent

Hungarian minister quits

Hungary's labour minister, Ms Magda Kovacs Kosa, a leading member of the ruling Socialist party and a former communist-era union leader, has resigned following criticism of government decisions by the constitutional court.

In recent weeks, the court has thrown out several important elements of a deeply unpopular austerity package aimed at cutting government spending and welfare. The package has already led to the departure of three other ministers.

Government officials said Mr Gyula Horn, prime minister, would ask Ms Kovacs Kosa, considered one of the cabinet's most experienced and able performers, to reconsider. Analysts said her departure would further increase pressure on Mr Horn, who is under attack from many in the party for abandoning socialist principles and for making too many concessions to the Free Democrats, the liberal junior coalition partners.

Virginia Marsh, Budapest

Spanish shipyard jobs cut deal

Union and government negotiators in Spain reached a settlement on cuts affecting 3,900 shipyard jobs yesterday, promising to end a bitter three-month conflict. The two main trade unions agreed to the revised scheme after obtaining favourable terms for early retirement.

Three smaller unions are due to decide in the next few days whether to back the deal. Management at the loss-making state-owned shipyards initially proposed axing 5,200 of the 10,000 jobs, closing two facilities in Cadiz and Seville and privatising three others in northern Spain.

But the scheme was watered down after violent protests in Andalusia and strong opposition from the socialist regional government. The viability plan, which requires European Commission approval, aims to make Spanish yards competitive by 1998, when state subsidies are due to end.

It is the government's third attempt since 1984 to set the shipyards on an even keel, and will bring the total of jobs lost to 22,000.

David White, Madrid

Ecuador impeachment bid fails

Ecuador's vice president, Mr Alberto Dahik, was acquitted of corruption charges yesterday after four days of impeachment hearings. Only 39 of 77 congressmen voted in favour of impeaching Mr Dahik, far short of the two-thirds necessary. The principal support for Mr Dahik came from his conservative party, the Populist PRE Party, and independent congressmen. The vice president was accused of having bribed judges and legislators to see through the government's economic reform programme.

Raymond Collin, Quito

your customers mean the world to us

They mean so much we can give them total assistance 24 hours a day, 365 days a year. The benefits of Mondial's substantial resources and comprehensive worldwide coverage are immeasurable and seamless. Our experience covers medical, legal, motoring, financial, insurance and travel markets. Tailor-made customer care services can be administered on your behalf and branded in your company's name. Practical solutions to real problems. Worldwide. Show your customers how much they mean to you, call Ailsa Macdonald on (+44) 0181 681 2525.

Mondial House, 1 Scarbrook Road, Croydon CR0 1SQ



MONDIAL ASSISTANCE

NEWS: UK

Fraud office to block suit against Leeson



The UK Serious Fraud Office is to block an attempt by Barings Bank bondholders to bring a private prosecution in the UK courts against Mr Nick Leeson, the former trader responsible for the bank's collapse, John Mason and Nicholas Denton write. The SFO, which has always supported the principle that Mr Leeson should face

trial in Singapore rather than Britain, yesterday took over the bondholders' prosecution and said it would seek to have summonses issued against Mr Leeson withdrawn. The move prompted an angry response from the bondholders who accused the SFO of abusing its powers. The bondholders, who lost £100m (\$158m) in the Barings collapse, are now considering bringing a judicial review in the High Court in London in an attempt to reverse the

SFO's decision. Mr Jonathan Stone, chairman of the Barings Perpetual Noteholders Action Group, said: "There must be some kind of ulterior motive. This is the state meddling with the law of the land in a way that is wholly unsatisfactory." The power of state prosecutors to take over private prosecutions was intended to prevent frivolous cases coming to court and should not have been used in the bondholders' case, he said. The SFO defended its move,

saying: "The director of the SFO considers it is not in the public interest for there to be a prosecution of Mr Leeson in the UK in the present circumstances." It refused to enlarge on the statement or comment on the bondholders' reaction. However, it has consistently maintained that Singapore is the most appropriate place for Mr Leeson, who remains in jail in Frankfurt, to stand trial. SFO sources have previously pointed to both the legal and

diplomatic problems involved in opposing Singapore's application to extradite Mr Leeson from Germany. The bondholders' action began last week when City of London magistrates issued eight summonses against Mr Leeson, accusing him of false accounting and obtaining money by deception. The SFO will appear in the same court next Tuesday to ask for the summonses to be withdrawn. Singapore's extradition request was approved earlier

this week by a German court. However, further appeals by Mr Leeson's lawyers could delay any extradition. To avoid prejudicing the extradition proceedings, the Singapore government has delayed publication of the report by inspectors it appointed to investigate the collapse of Barings. Their findings, which are expected to implicate senior Barings executives, have been with the Singapore finance ministry since being presented a month ago.

Tory evangelist hunts for gaps in opposition rhetoric

By Robert Peston, Political Editor

The British Labour party has never had it so good. The leadership won every vote at this week's annual conference, and leader Tony Blair's sermon from the podium presented the party as patriotic, the proponent of Christian values and the unifier of a jaded and divided United Kingdom. Much of the responsibility for determining whether the Conservatives can fight back effectively at their conference next week rests with Mr Brian Mawhinney, a former member of the Protestant Church of England's General Synod who has been Conservative party chairman since July.

Mr Mawhinney, an Ulsterman with an evangelist's fervour, described his mission as exposing the "gap between New Labour and the reality of Real Labour in terms of what it does when its hands are on the levers of power".

Mr Mawhinney said Labour's conference showed an increasingly apparent "gap between the rhetoric and the reality". Mr Blair is acutely aware that

one area of vulnerability was his woolly commitment that there would be "a publicly owned and publicly accountable railway system under a Labour government", while insisting this was not a "blank cheque" to buy back any privatised part of the railways.

The Tories have exploited a similar contradiction over the past few days in Labour's plan to levy a 23p (\$4.74m) windfall tax on water and electricity utilities while announcing a partnership with another quasi-monopolist, British Telecommunications, to develop a national information superhighway.

Another opportunity for the Tories is Mr Blair's attempt to distance himself from the trade unions and his insistence that they will not receive special favours from a Labour government. But they do have a privileged place within the party's structure - and Mr Mawhinney is there to point it out.

A more serious weakness is the charge that power without responsibility is being wielded by a new group within the Labour party: the famed "spin doctors" who are Mr Blair's

public relations advisers. The issue is particularly fertile ground for Mr Mawhinney, since some leading Labour politicians are concerned about stories allegedly disseminated by Mr Peter Mandelson, a Labour whip and intimate of the Labour leader, and Mr Alastair Campbell, Mr Blair's press secretary. Many journalists can also tell a heartless tale of being obstructed by Labour press advisers when preparing articles damaging to Labour.

Newspapers reported gleefully last week that faxes had been sent by Mr Campbell to ITN and the BBC, urging them to weigh up carefully whether the verdict in the O.J. Simpson trial was a more important news item than Mr Blair's conference speech. Since the BBC did give prominence to Mr Blair's speech, while ITN and most newspapers led on the legal case, the implication of most reports was that the BBC had succumbed to the pressure, though the BBC denies this.

Elections are not usually won, however, on negative campaigning alone. Mr Mawhinney said the Tory conference would also lay the



Brian Mawhinney, the Conservative party chairman, said next week's conference would form the basis of the party's manifesto

basis of the general election manifesto, outlining a programme for the period "right through to the 21st century".

Measures to increase self-provision in welfare, to cut taxes, to improve the detection and conviction of criminals, and to improve classroom discipline and standards are all

likely to be foreshadowed. There will also be an attempt to present a united front on the government's European policy, the issue which has been tearing the Tory party apart. But the thrust of most speeches will be an attempt to repel Labour's encroachment on Tory heartland.

Opera in cash plea to avoid curtain

By James Buxton in Edinburgh

Scottish Opera, the Glasgow-based company which performs in Scotland and to the north of England, yesterday appealed for the government to provide the extra cash it needs to keep going in its present form.

The alternative, it says, is to downgrade its operations from next January, put its staff on flexible contracts and perform operas for only nine months of the year.

The appeal to the Scottish secretary, backed by the threat of drastic action, is the opera company's response to a financial crisis which it says is caused by recent government underfunding of the company through the Scottish Arts Council.

Mr Sandy Orr, the chairman, said the company had put forward its downgrading proposals "with the greatest possible misgivings". But it was a "legal imperative" to submit a plan enabling it to continue trading within its known resources.

Although Scottish Opera has had considerable success with recent productions, including Wagner's *Tristan und Isolde*, it says it needs an extra £750,000 (\$1.19m) a year to survive in its present form.

Since 1993 there has been no increase in real terms in its grant from the Scottish Arts Council, which will be £4.6m this financial year. It points out that Welsh Opera and Opera North in northern England each receive greater government subsidies.

The board of the company yesterday rejected the proposal of a special working group that it disband its orchestra and buy in services from three other Scottish orchestras.

This proposal, it said, would not solve the financial problems and would mean a loss of artistic control. Nevertheless, the alternative of putting Scottish Opera on a part-time basis, which would mean not performing between July and September when the Edinburgh International Festival takes place, is also unpalatable. It would mean negotiating contracts with staff and some key personnel might decide to leave.

Scottish Opera has therefore chosen to appeal to the government and hope that Scottish public opinion will put pressure on the government.

Mr Orr said it was distressing that Scottish Opera was in this position when "vast sums of money" were now available to the arts in Scotland through the National Lottery.

Labour party conference Unexpected backing comes from a former Thatcher minister

Cable row cools white heat of technology

By Kevin Brown, Chief Political Correspondent

Mr Tony Blair, leader of the opposition Labour party, appeared to have pulled off a major coup with his announcement to the party conference this week of a fibre optic cabling agreement with British Telecommunications.

Politically, the announcement fitted neatly with Mr Blair's determination to build bridges with big business as he recasts the formerly leftwing party in the mould of its European social democratic counterparts.

The "deal" was simple. A Labour government would phase out a ban on transmission by BT of entertainment programmes by cable - a restriction imposed by the Conservative government that effectively bars BT from the broadband communications market.

In return, BT would connect every school, hospital, library and college in the country at its own expense. By 2002, BT would be able to compete without restrictions with the cable companies that hold franchises to transmit entertainment.

Mr Blair's speech was received rapturously by party delegates, desperate for power after 16 years in opposition. Cleverly, the market-orientated agreement was delivered as part of an intensely patriotic

Business envoys proposed: Leading business people could be recruited by a Labour government as ambassadors or senior diplomats to countries involved in trade with the UK, Mr Robin Cook, the shadow foreign secretary, said yesterday. Kevin Brown writes. Mr Cook has made no secret of his belief that British embassies could do more to boost UK trade. "As foreign secretary, I will want to find out whether there are people in British industry with experience and success in exports who might make suitable ambassadors to some

package that stressed the role of education and technology in offering a fresh start for the UK.

It was a powerful vision, attractive to many outside the Labour party, and overwhelmingly popular with conference delegates. Only a few cynics recalled its similarity with the Labour government of Harold Wilson from 1964 to 1970, which promised to modernise Britain in the glow of the "white heat of technology," then largely failed to deliver.

But it took less than a day for more widespread doubts to set in. Was there really a deal with BT? Or was it sleight of hand? Some senior executives at BT suggested privately that it was, pointing out that no such deal had been up to the company's board.

It was unclear whether there was any agreement in writing between the parties. Both refused to release an exchange

of letters between Mr Blair's office and Mr Alan Rudge, deputy managing director of BT, which would have resolved any doubts.

Finally, Sir Ian Vallance, BT chairman, made the status of the agreement plain. There was no "deal," simply an understanding that if Labour wins the next election, due by spring 1997, it will implement the recommendations of an all-party House of Commons committee recommending moves towards free competition in the cable market.

"We could respond by some acceleration of our broadband investment programme and by offering in principle free connections to schools, hospitals, colleges and libraries as we rolled out," Sir Ian said.

"This is just the same response as we would give to the government, were they to allow us to compete against cable television monopolies," Lord Tebbit, the rightwing

former Conservative trade and industry secretary, muddled the waters by claiming that Mr Blair had got it right - taking the opportunity to criticise Mr John Major's government for failing to take similar action.

However, the criticism from Lord Tebbit, a non-executive director of BT, was not echoed by other Conservatives, who accused Labour of doing a "sweetheart" deal with BT that risked entrenching a monopoly in the cable market.

Independent commentators were concerned that the agreement might not be in the public interest. The marginal cost of cabling public institutions would be tiny in the context of the £10bn needed to roll out a national fibre optic system, and BT is not even offering free use of the network.

There were suggestions that BT might have conceded much more in return for the right to compete with the cable companies, which have installed

more than 1m telephone lines and to which it is losing thousands of customers every month.

The Independent Television Commission, which regulates UK cable and satellite services, said Labour's plan to phase in open competition would cost the Treasury hundreds of millions of pounds because cable companies would be unwilling to pay for licences if BT was to be licensed free.

Critics said the agreement revealed Labour's wish to create a partnership with industry as little more than a plan to amend regulatory regimes in return for favours from private companies.

Labour dismissed claims that the deal was naive, rejecting suggestions that the party could have got a better deal from industry by holding an auction in which cable companies could have participated.

Writing in the FT, Mr Jack Cunningham, shadow trade and industry secretary, put the party line succinctly: "These proposals do not offer any company a blank cheque, nor do they threaten the cable companies."

Mr Blair has transformed Labour in the 16 months since his election as leader by forcing the party to face reality. Transforming Britain - his declared goal - will require him to be equally hardheaded in his dealings with business.

Liquidator cuts \$3bn-\$4bn claim against BCCI auditor to \$250m

By Jim Kelly, Accountancy Correspondent

Touche Ross, the accountancy firm which acts as liquidator to the collapsed Bank of Credit and Commerce International, has secretly cut its once crippling claim against the bank's auditors.

Price Waterhouse, the UK's fifth largest firm, faced a claim of between \$3bn and \$4bn over the failure of the bank. It is understood that Touche Ross has now put forward a figure of \$250m. BCCI was shut down in 1991

with liabilities of about \$10bn following the discovery of the world's biggest banking fraud. Initial estimates of the claim had put it close to the total size of the loss.

In July this year Mr Ian Brindle, senior partner at Price Waterhouse, told partners that the claim now stood at \$3bn to \$4bn and represented a "major retreat" on the part of the liquidators. He added, in a confidential memo, that if the case was pressed to court the trial would not take place "until the turn of the century". Yesterday Price Waterhouse

declined to comment on the latest reduction in the claim.

Price Waterhouse is alleged to have failed to detect or report financial irregularities at the bank. The firm is expected to reject the new claim which would still represent the biggest such payment.

The moves come during a period of intense activity between the parties involved in the collapse of BCCI. On October 30 a court in Luxembourg will begin to hear objections to the global settlement for the bank's 90,000 creditors.

The settlement, put forward by Touche Ross, is based on a payment of \$1.8bn from the Abu Dhabi government. BCCI's principal shareholder. An initial \$1.55bn would be available on the successful completion of the court process.

Four former employees, linked to the BCCI Campaign Committee, have delayed the settlement by lodging an appeal. Yesterday they indicated that talks were under way with Touche Ross about settling their dispute.

Mr Mohammed Qayyum said that "intensive exchanges" were taking

place to settle several outstanding disputes. Touche Ross declined to comment.

While the employees' claim that "the liquidators are trying for a settlement" opens up the prospect of an early payout to creditors, it is understood that several significant barriers still remain to an agreement.

Meanwhile, it is understood that up to June this year liquidators' fees were \$115m (\$180m) and legal fees had reached \$65m. For the month to June 15 1995 liquidators' fees were £1.04m and legal fees £347,000.

UK NEWS DIGEST

Construction industry gloomy over recovery

Further evidence of a slowdown in the pace of the export-led recovery is expected to be reported next week by construction industry leaders who have become increasingly alarmed at the steep decline in the sector's prospects. Separate industry surveys will stress the low level of investment in construction commercial companies. A further deterioration in construction prospects over the summer has prompted the National Council of Building Material Producers to reduce sharply output forecasts to be published on Tuesday. The council, which in July cast a 2½ per cent rise in industry output next year, now predicts a small fall. Forecasts of a 2 per cent output fall this year have been left unchanged. The council, which represents 2,000 companies, is also expected to report a decline in the pace of building material export growth. A separate survey, to be published on Monday by the Building Employers Confederation, will emphasise the current low level of investment by industrial and commercial companies. It says investment by industry in previous economic recoveries has been far higher at this point in the cycle.

Andrew Taylor, Construction Correspondent

Manufacturers boost output

Manufacturers stepped up their production in August, reversing the drop in output seen in July, official figures show. But while car manufacturers, computing and soft drinks raised production, other sectors such as machine tools and pharmaceuticals reported declining activity. The figures highlighted the confusing trends that are buffeting the economy as it comes to the end of its third year of recovery. Although manufacturing expanded strongly last year, it slowed earlier this year amid slower export growth. Some City economists concluded from yesterday's data that business was now bouncing back from weaker levels of demand in the summer.

Gillian Teu, Economics Staff

Rescue urged for betting shops

Only Government intervention can save 2,400 betting shops and 7,400 jobs because of the impact of the National Lottery and especially its scratch cards. A report from the Henley Centre, the consultancy group, predicts that profits in betting shops this year will be down 35 per cent on 1994. Henley believes the industry is likely to lose 100m individual bets this year. Overall the UK has 9,300 betting shops which employ directly 40,000 people. The consultancy group says the solution is to reduce the rate of betting duty from 7.5 per cent to 5.5 per cent, "a level which would put betting approximately on a taxation par with the lottery".

Raymond Snoddy, Consumer Industries Staff

Heroin traffickers jailed

Three men arrested after British Customs officers seized worth £7m (\$11m) were jailed yesterday. Five men were found guilty after a seven-week trial in a London court of conspiring with others to supply heroin. The court heard that the drug had been smuggled from Turkey in 1993 and 1994.

The two ringleaders, who fled to Turkey, masterminded the import and distribution of the drug with the help of a large gang rounded up in London. Mr Faruk Koroglu, 33, a mobile phone company director, was jailed for 18 years; Mr Taner Konakli of north London was jailed for 14 years and Mr Andrew Howard, 32, for five years. Other defendants are to be sentenced later. Charges against one defendant, thought to be terminally ill, are to lie on the file. The prosecution said the main organisers were the fathers of two of the defendants. "They are believed to be in Turkey out of the jurisdiction and their sons have been left to face the music."

PA News

Names welcome court ruling

The Court of Appeal has ruled that damages won by loss-making Lloyd's of London members who were part of a successful Gooda Walker Action Group legal case are taxable. The action group welcomed the ruling, saying it would leave its members better off because of the complex system under which Names have been able to offset losses against tax. The group estimates the damages it is owed to be worth \$500m (\$775m).

Clyde & Co, the law firm representing the "errors and omissions" insurers, which covered the Lloyd's agencies against negligence awards, said the effect would be neutral on Names. But it would mean that "errors and omissions" insurers have to pay more to Names.

Ralph Atkins, Insurance Correspondent

Prince wins book ban: Prince Charles won a worldwide ban on a book about his marriage by a former housekeeper at Highgrove House, his residence in western England. A judge at the High Court in London said Mrs Wendy Berry was obliged to pay the prince all the money she has made from publication of *The Housekeeper's Diary*, which has appeared only in the US and Canada. Mrs Berry, who is believed to be living in Canada, worked for the royal family for nine years until 1983.

From the press this week . . .

A hoax radio operator gave false landing instructions to an aircraft approaching Leeds-Bradford Airport in northern England. The Air UK flight from Amsterdam landed safely after the pilot checked the hoax message with air traffic controllers, who told him to ignore it. The Civil Aviation Authority said the hoax posed no threat to passengers because aircrew checked all incoming calls back with air traffic control. *Yorkshire Post, Leeds*

Municipal burial authorities want the government to amend a law of 1852 which prevents graves from being recycled. The Confederation of Burial Authorities says burial space has run out. They want to exhume remains from existing graves, re-bury them deeply under the graves and thereby free the space near the surface for new bodies. *The Guardian, London*

The Queen yelped with pain when a 900gm grouse, shot on her Balmoral estate in Scotland, fell on her. Observers said the 69-year-old monarch later joked about the incident, and a British Field Sports Society said the odds of being hit by a low-flying grouse must be less than a million to one. (This was the leading news item yesterday in *The Sun* and the *Daily Mirror*, Britain's two top-selling daily newspapers)

WHEN YOU'RE PRESSED FOR TIME SPECIAL DELIVERY GOES FLAT OUT.



GUARANTEED OVERNIGHT DELIVERY FROM £2.95. TO FIND OUT MORE CALL 0800 25 0800

For more information please complete below:

Name _____

Address _____

Postcode _____ Tel _____

Return coupon to:
Royal Mail
FREEPOST
12 Fenton Way
BASILDON
Essex
SS15 4BR

مكتبة الأمل

Boddington agrees Greenalls' bid

By Roderick Oram,
Consumer Industries Editor

Continuing its aggressive expansion programme, Greenalls Group has launched a £180m recommended share and cash offer for Boddington Group to create the UK's largest chain of pubs independent of a brewer.

Mr Andrew Thomas, Greenalls' chairman, said large scale - it will have 2,370 pubs in the region, which will account for about 45 per cent of group profits.

The two companies, near neighbours outside Manchester, know each other well and have pursued almost identical strategies. They have sold their breweries to focus on pub ownership and drinks wholesaling. Boddington also has retirement homes, which the City expects Greenalls to sell.

Greenalls is offering 17 new shares plus £20 for every 25 Boddington shares. The bid values a Boddington share at 39p for a multiple of 21.6 times adjusted earnings for the year to January, when Boddington made pre-tax profits of £30.3m on sales of £273.6m.

pubs, all in north-west England, and Greenalls' 1,000 in the same area. Greenalls/Boddington will own roughly one in six pubs in the region, which will account for about 45 per cent of group profits.

The two companies, near neighbours outside Manchester, know each other well and have pursued almost identical strategies. They have sold their breweries to focus on pub ownership and drinks wholesaling. Boddington also has retirement homes, which the City expects Greenalls to sell.

Greenalls is offering 17 new shares plus £20 for every 25 Boddington shares. The bid values a Boddington share at 39p for a multiple of 21.6 times adjusted earnings for the year to January, when Boddington made pre-tax profits of £30.3m on sales of £273.6m.

The bid price is based on Greenalls' closing price of 462p yesterday, down 28p. Boddington shares - which had rocketed on Thursday when news of the impending bid leaked out - rose another 31p at 389p yesterday.

Greenalls will take on £124m of Boddington debt which, with £23m of reorganisation costs, bid costs and other items, pushes the total cost to £147m. The extra debt will lift Greenalls' gearing from about 50 per cent to 75 per cent. Mr Alan Rothwell, finance director, said operating earnings would continue to cover interest payments about four times.

Gearing would ease slightly over the next few months even without disposals. Thereafter the new group could still spend up to £140m a year.

Some analysts, however, said the deal looked a little defensive. "Greenalls was running out of steam and needed this acquisition," one said. Greenalls had paid a full price so it "will have to watch debt and cashflow very carefully".

Greenalls said it was confident it could halve to £8m Boddington's head and divisional office costs, gain a further £5m in savings from closing some of its wholesale drinks depots and £5m from benefits such as combining the reservation systems of the companies' hotels. The deal should be non-dilutive in the year to next September, and enhance earnings thereafter.

Greenalls said its pre-tax profit for the financial year that ended last week was less than £100m, against £88.2m a year earlier. It would propose a final dividend of 8.44p to make a total of 14.2p (13.1p).

See Lex and Features

Statoil tipped as Aran's white knight

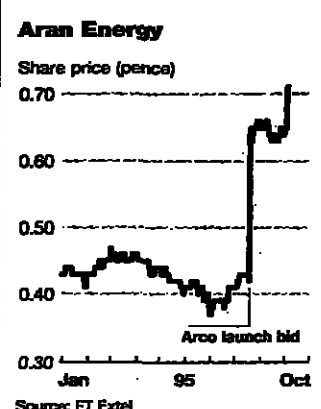
By James Harding

Aran Energy, the Irish oil exploration company, yesterday offered a new line of defence against the £161m hostile bid by US rival Atlantic Richfield when it announced it had been approached by a third party.

While some analysts expressed caution, others tipped Statoil as Aran's white knight.

The Norwegian state oil company last month established a joint venture with Aran and has slowly been building its retail interests in Ireland.

Aran would only say that it



had "received an approach from a third party which may lead to an alternative offer".

Its shares rose 5 1/2p to 72 1/2p yesterday, well above Arco's 61.4p a share cash offer.

Arco has until Tuesday to raise its offer, giving shareholders two weeks to decide after that.

The Takeover Panel said it would push the third party to announce its intentions as "quickly as possible".

Horace Clarkson advances to £2m

Horace Clarkson, the shipbroking and specialist insurance broking company, reported pre-tax profits up from £1.3m to £2m in the half year to June 30.

Shipbroking more than doubled and the insurance side returned to profit. Mr Michael Beckett, chairman, said shipbroking was expected to continue to benefit from strong dry cargo rates and better rates for crude oil tankers. "Insurance broking should maintain its improvement".

Turnover was £20.1m (£19.6m). Earnings per share were 5.6p (2.5p) and the interim dividend is raised to 1.25p (0.75p).

Bid that sparked a trend

David Wighton on electricity's first mixed marriage

The success of Scottish Power's £1.1bn bid for Manweb breaks new ground for both the electricity industry and the stock market. It is the first bid for a privatised company which has been consistently opposed by the target's management. It is also the first successful bid for an electricity company from within the industry and the first to combine a large generator with one of the distribution companies in England and Wales.

By establishing that the government was not opposed in principle to such "vertical integration", Scottish Power helped trigger a fundamental restructuring of the industry.

Ahead of the privatisation of the electricity supply industry in England and Wales, the government deliberately separated generation from distribution.

Although it created two integrated companies in Scotland, it was widely assumed that it would block generators from buying distribution companies south of the border.

But the government's decision not to refer Scottish Power's bid for Manweb was widely followed by bids from National Power and PowerGen for two of the distribution companies, Southern Electric and Midlands Electricity.

If these bids are cleared, the industry will have three large integrated companies, which will be joined by a fourth - Hanson's Eastern Group subsidiary - if its bid for £1bn of National Power stations is successful.

The regulatory system was kind to Scottish Power in another way. Speculation that the bid would be referred to the Monopolies Commission depressed Manweb's share price, allowing Scottish Power to buy shares in the market.

By the time the bid was cleared, Scottish Power had accumulated a 14.9 per cent stake in the target. Although Manweb's shares jumped on the news they remained close to the Scottish offer price, allowing it to take the holding to 28 per cent by yesterday morning.

Manweb's advisers claim



Ian Robinson, chief executive (left) and Ian Russell, finance director of Scottish Power: breaking new ground

that the early stake was critical. "It really put off potential counter-bidders who were loath to enter an auction when Scottish was already in such a strong position," said one.

"That in turn increased Scottish Power's perceived chances of winning, which weakened the share price. It was a vicious circle."

Manweb managed to interest PacificCorp, a US utility based in Oregon, in making a counter offer. But it claims that PacificCorp pulled out because it feared that if it made an offer it would merely be topped by Scottish Power.

Other sources suggest that PacificCorp thought Scottish Power's bid valued Manweb fairly, and that the Americans decided to shift their attention to opportunities in Australia.

PacificCorp finally pulled out only last Thursday, which made life difficult for both sides. It was only then that Manweb started its last round of institutional presentations, which its advisers now feel may have left it too little time.

Scottish Power also feels it suffered, since the presence of the potential white knight stopped private investors from sending in their acceptances. It thinks that many intended to accept but never got around to it.

However, helped by heavy advertising in the final days of the bid, Scottish Power persuaded 30,000 of Manweb's 110,000 private investors to accept.

Had Scottish Power lost, it would have laid the blame on its actions on the weekend of September 16 and 17. On the previous Friday, Manweb had announced a defence package which promised shareholders a collection of special dividends and preference shares worth 550p a share.

Scottish Power decided it would increase its original 91p cash offer and on Saturday its adviser, Baring Brothers, contacted Schroders, Manweb's merchant bank, to ask for a meeting.

From the response Scottish Power judged that there was no chance of getting a recommendation from Manweb at a price it would be prepared to pay, so on Monday it announced its new offer of 97p.

But the two sides may not have been that far apart. "Scottish Power might have got a recommendation for another 30p or 40p, which they probably would have thought worth it," says one close observer. "In the end, of course, they were right. But they cut it pretty fine."

RPR fails to make quick kill in Fisons bid

By Daniel Green and
Motoko Rich

Rhone-Poulenc Rorer has failed to make a quick kill in its £1.8bn hostile bid for UK rival Fisons.

It has added only 1.2 per cent more of the shares than it had secured on Thursday when it raised its bid from 240p to 265p. It has now bought 18.2 per cent of Fisons in the market.

Takeover rules mean that by falling short of a 30 per cent level, RPR can only buy further shares up to 28.9 per cent.

It must now wait for acceptances from Fisons' shareholders, who have until October 20 to decide.

RPR, a US company controlled by Rhone-Poulenc, the French chemicals company, is likely to be cautious about buying more shares in the mar-

ket. It may prefer to keep its ability to buy another 11 per cent of Fisons as a bargaining chip with large shareholders.

Several institutions with smaller stakes have sold the bulk of their shares in Fisons. Robert Fleming, which had a 3.7 per cent stake, sold 24.7m shares; Mercury Asset Management sold 8.98m, and Scottish Widows Fund & Life Assurance Society sold 6.39m.

However, Fisons' largest shareholders - PDFM, affiliates of the Capital Group, Prudential Corporation and Schroders - have yet to decide.

If RPR fails to reach 50 per cent acceptances by October 20, the bid fails and it will be unable to bid again for a year.

It may be able to agree a higher offer in less than a year with Fisons, but only with the blessing of the Takeover Panel.

Exceptional costs of £5.42m hit Verson

By Motoko Rich

Heavy interest charges and exceptional costs at Verson International, the capital equipment manufacturer, deepened full-year pre-tax losses from £8.2m to £11.3m.

The auditors recorded "fundamental uncertainty" about the group's ability to continue trading as a going concern.

At operating level, losses increased to £5.9m (£3.26m) on sales of £104.8m (£99.8m) in the year to January 31.

Shares in the company, which makes power presses and electrical welding machines, were suspended at 13p on August 2 after it failed to report its results within the statutory six-month period.

Rationalisation charges totalled £5.42m (£827,000) including provisions for prod-

uct liability claims in the US and asset write-downs. Exceptional royalty and service fee income was £3.54m (£3.95m).

Mr Tim Kelleher, chairman, said the £8.2m sale of a welding machinery business would satisfy working capital requirements and bring the group back within banking limits. It had breached covenants in the US.

Net debt stood at £57.9m and gearing was more than 500 per cent. Interest payments totalled £5.58m (£5.21m).

The group had considered placing 50 per cent of its US interests on Nasdaq, but decided against this because it had been offered alternative financing arrangements such as joint ventures.

Losses per share were 7.88p (5.5p).

No dividend is declared.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
AGOS	6 mths to July 31	9.32 (8.41)	0.401 (0.287)	3.3 (2.4)	2	Dec 8	2	5
Canale	6 mths to June 30	106.7 (85.4)	1.33 (0.85)	41.8 (48)	14	Nov 16	14	35.5
Chepstow Race	6 mths to June 30	0.711 (0.817)	0.017 (0.037)	3.4 (18.4)	1.25	Nov 23	0.75	2
Clifford (Harcos)	6 mths to June 30	20.1 (19.6)	2 (1.3)	5.6 (2.5)	1.25	Nov 23	0.75	2
CP Leisure S	6 mths to Apr 30	0.244 (0.23)	0.108 (0.145)	0.46 (0.91)	-	Nov 20	1.58	5
Stratford Valley	6 mths to June 30	6.332 (5.47)	1.55 (0.77)	41 (12.61)	1.73	Nov 20	1.58	5
Enchanted	6 mths to June 30	104.5 (278)	484.5 (48.7)	52.3 (8.1)	4.21 (0.8)	Jan 2	0.45	1.1
Enrich Int	6 mths to June 30	33.8 (35.2)	1.34 (0.287)	4.21 (0.8)	0.45	Jan 2	0.45	1.1
Cap	6 mths to June 30	12.3 (11)	1.13 (0.844)	7.21 (6.2)	1.85	Nov 23	3	0.25
Supply (H)	6 mths to June 30	7.06 (6.55)	0.174 (0.204)	12.2 (14.1)	3	Jan 3	3	12
Supermarket Vn	Yr to July 31	1.59 (0.859)	1.75 (0.238)	32.8 (6.1)	-	-	-	-
Verson Int	Yr to Jan 31	104.8 (88.3)	112.6 (8.2)	7.88 (5.5)	0.5	Nov 15	0.5	1
Western Parkers	Yr to June 30	10.3 (8.4)	0.332 (0.2)	1.3 (0.3)	0.5	Nov 15	0.5	1
	May (p)	Dividends	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Investment Trusts								
2000	6 mths to Aug 31	55.58 (50.1)	0.487 (0.395)	3.44 (2.79)	3.1	Nov 30	3	6.88

Figures shown net. Earnings shown basic. Figures in brackets are for corresponding period. □ Gross rental income. (On increased capital. * Foreign income dividend. ** Includes final dividend income dividend. * £100m stock. * After exceptional charges. * Includes 0.8p special.



Where others don't
want you to fail, we want
you to succeed.

Business is about more than just numbers on a balance sheet. It's about people, ambition and seizing opportunities. These are some of the things we at Trade Indemnity-Heller consider when you need to finance your business. We take a wider, overall view. Get to know your people. Assess the opportunities. And then act to provide the finance you need. Get in touch with Trade Indemnity-Heller Business Finance on 0800 85 86 87.

Trade Indemnity-Heller

For imaginative solutions beyond the balance sheet

Croydon, Birmingham, Bristol, Stockport, Leeds.

Superscape rights as loss mounts

Superscape VR, the virtual reality software company which came to the market in April last year, announced deepening losses and an £8.7m rights issue to fund expansion, writes Christopher Price.

Pre-tax losses for the 12 months to July 31 widened from £238,000 to £1.75m, although turnover rose 85 per cent to £1.59m. Losses per share were 32.8p (6.1p).

The strongest growth was in sales of software and services to North America, which rose from £74,000 to £512,000, underpinned by sales to telecommunications and computer groups including Northern Telecom, IBM and Motorola.

The 1-for-2 rights issue of 2.75m shares is at 30p apiece. Superscape's shares, which came to the market at 198p, retreated 17p to 392p yesterday. The company estimates that the cost of new staff and capital equipment over the next two years will be about £10m.

Wickes sells

Wickes, the DIY retailer, is selling a further 23 of its Builders Mate merchanting outlets to RMC for about £13m, while RMC is ending its attempt to ape Wickes' format by selling its six Bay 6 DIY stores to Wickes for £2.7m, writes Neil Buckley.

The latest Builders Mate disposal comes days after Wickes sold 20 outlets to Jewson, the Meyer International offshoot. The 23 branches had net assets of £12.1m at December 31, and made profits of £1.3m on sales of £29.8m in 1994.

The Bay 6 stores - including four already trading and two soon to open - have a similar format to Wickes at the "heavy" end of the market. RMC is continuing to develop its Great Mills DIY chain.

NEWS DIGEST

Withdrawal from Builders Mate, plus the recent sale of its Hunter Timber business to Finnforest, will free Wickes to concentrate on its core DIY business.

Yorkshire change

Mr Derek Roberts is to stand down as chief executive of Yorkshire Building Society next April and will be succeeded by Mr David Anderson, currently the society's head of corporate development.

Mr Roberts (52), will succeed Mr Peter Courtney as non-executive chairman in January 1997.

Rothermere sells

Viscount Rothermere, chairman of Daily Mail and General Trust, has sold 501,940 non-voting A shares, leaving him with 8.58m shares, or 9.06 per cent.

The transaction was made on September 29 at an undisclosed price. However, the closing mid-price on that day was £11.06, which would have produced a sum of £5.5m.

Lord Rothermere, together with fellow directors Mr Stephen Gray and Mr John Hemingway, sold 37,390 ordinary shares on the same date. Again no selling price was disclosed, but the closing mid-price was £12.84, which would have produced £480,000.

Martin Intl in red

As foreshadowed in its annual report, Martin International Holdings, the clothing manufacturer, experienced a "difficult" first half with pre-tax losses of £1.34m, and Mr Michael Kidd, chairman, saw little improvement in the short term.

"Trading conditions in the third quarter have remained difficult and turnover has not matched our earlier expectations," he said.

Recovery would depend on the success of the recent reorganisation which led to the appointment of Mr Lawrence Ward as managing director and the establishment of a

stronger international division.

The deficit for the six months to June 30 compared with a profit of £267,000, and came on turnover of £38.8m (£35.2m). Losses per share were 4.2p (earnings of 0.8p); nevertheless, the interim dividend is maintained at 0.45p.

BMSS 40% ahead

Announcing a 40 per cent improvement in pre-tax profits for the six months to July 31, BMSS, the timber and building materials merchant, said the outlook for the second half was "not especially encouraging".

The £401,000 (£287,000) result was struck on static turnover

of £9.32m (£9.41m).

A maintained interim dividend of 2p is payable from earnings of 3.3p (2.4p).

Chepstow falls

Chepstow Racecourse saw pre-tax profits tumble from £96,596 to £16,944 in the first half of 1995 on reduced turnover of £710,915, against £817,713.

Results were again hit by abandonments due to weather. This year two of the scheduled 10 meetings were lost, compared with four of the scheduled 13 in 1994. In the second half, 13 (10) race days are planned, including the first Sunday meeting.

The Financial Times plans to publish a survey on

Europe's Dynamic Entrepreneurs

on Friday, November 17.

This fascinating survey will explore the exciting world of Europe's entrepreneurs.

Based on research, currently being conducted by the European Foundation for Entrepreneurial Research, the survey will highlight the greatest success stories at both the corporate and personal level.

If you would like to reach this group of exciting businesses or would like to be associated with them, you should advertise in this survey.

For further information please contact:

William MacLeod
Tel: +0171 873 3688
Fax: +0171 873 3078

FT Surveys

INTERNATIONAL COMPANIES AND FINANCE

Nissan predicts smaller loss in first six months

By Michiyo Nakamoto in Tokyo

Japan's second-largest car maker, Nissan Motor, said yesterday its interim non-consolidated loss for the first half to end-September would not be as large as initially estimated.

The company, which the day before had announced the closure of an engine plant in southern Japan, said it was likely to make a recurring loss - before extraordinary items and tax - of ¥9bn (\$96.6m) in the first half, rather than the ¥30bn loss it had forecast in May.

The net loss for the first half

would also be lower at ¥13bn, rather than ¥30bn as projected earlier.

However, Nissan, like other Japanese car manufacturers in recent weeks, also warned that sales for the half-year were likely to fall just short of original forecasts because of weakness in the domestic market.

Nissan posted a non-consolidated net loss of ¥61bn last year and consolidated net losses for the past three years.

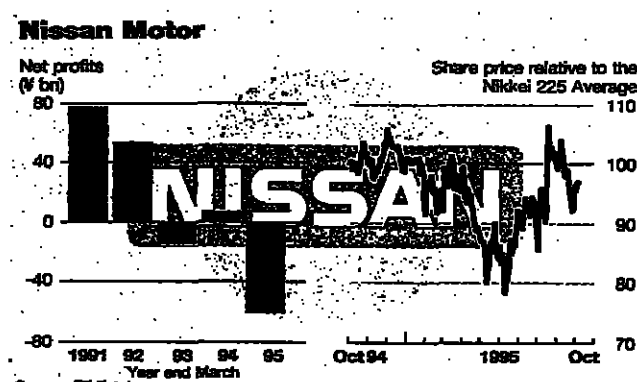
The new forecast of ¥1,710bn compares with ¥1,750bn earlier.

Nissan now expects total domestic demand this year to

be 5.2m rather than the earlier predicted 5.33m. As a result, it believes its own production will fall by 30,000 to 40,000 units from its original target.

Despite the lower sales, however, Nissan expects strong demand for certain luxury models which have a higher product margin, and the lower interest rates in Japan, to enable it to improve its performance in the first half.

Nissan has benefited from continuing cost-cutting, particularly in production areas where there has been increased commonality of components.



Its restructuring measures, which were expected to trim ¥80bn out of costs in the first half, had taken out ¥95bn instead, Nissan said. For the entire year, it expects cost savings of ¥110bn.

Nissan is not changing its forecast for the full year, in

which it expects to break even at both the recurring and net levels on sales of ¥3,600bn. Although the company had done better in the first half, and the year's recent weakness could help second half performance, the domestic market was still uncertain.

Yamaichi doubles profits estimate for half-year

By Gerard Baker in Tokyo

Yamaichi Securities, one of Japan's "Big Four" stockbrokers, yesterday doubled its profits estimate for the financial half-year which ended last month.

The company said strong revenues from bond transactions had lifted recurring profit (before extraordinary items and tax) from the ¥2.5bn (\$24.9m) forecast in May to an estimated result of ¥5.3bn.

Operating revenues were about ¥10.7bn, up from the forecast ¥10.6bn.

The broker also doubled its forecast for recurring profit for the full year to next March from ¥9bn to ¥18bn on estimated revenues of ¥228bn rather than ¥217bn.

The performance is a substantial improvement on last year's dismal results. In the year to the end of March 1995 Yamaichi reported a recurring loss of ¥50.6bn on operating revenue of ¥162.6bn.

Japan's brokers have been beset by a falling stock market, low trading volumes and increased competition in the past five years.

But the strong rally in the bond market this year has helped them recoup some of their losses.

The yield on the benchmark 10-year government bond fell unexpectedly sharply from 3.8 per cent in March to 2.6 per cent last month.

Yamaichi's profit from bond dealings in the six months to the end of September came to an estimated ¥15.4bn, three times the figure forecast last May.

It reported a full-year bond-trading loss last year of ¥5.2bn.

The company's managing director, Mr Takatsugu Hara, said he expected interest rates to remain low and hoped for further increases in bond-trading profits.

However, first-half income from equity brokerage commissions would be lower than expected, the company said, reflecting the slightly lower volumes of equity trading.

NEWS DIGEST

Outokumpu doubles after eight months

Higher prices for most metals than a year ago helped more than double pre-tax profits at Outokumpu, the Finnish mining and metals group, in the first eight months of the year. Pre-tax profits jumped from FM557m to FM1.3bn (\$303) as economic growth and enhanced investment lifted metal consumption. Outokumpu, which has suffered from capacity constraints, is in the middle of an expansion programme which will increase its copper smelting and refining capacity and nickel output by about 75 per cent by the end of this year. Cost-efficient capacity introduced this year in copper and nickel production and expanded steel melting due to come on stream at the end of the year would boost efficiency. Group sales in the eight months rose from FM10.9bn to FM11.15bn, producing operating profits of FM1.35bn, compared with FM628m a year ago.

Michelin to build more plants

Michelin, the French tyre maker, is to build two extra production units in France, both of which are expected to use the company's new CSM process. The process is so far being used at only one plant, the group's Clermont-Ferrand headquarters in central France. Michelin says the secret headquarter in central France. Michelin says the secret process allows significant improvements in productivity and efficiency and enables greater flexibility of production. One of the new units is to be built at Clermont-Ferrand. Work has already started and is due to be completed in one year. The other unit is at Saint-Priest, near Lyon. The company said it wanted to avoid a significant rise in capacity, which could damage margins in the industry. The new units were aimed at niche markets and at increasing flexibility of production.

Schneider ahead at halfway

Schneider, the French electrical equipment maker, lifted first-half net profit by 15 per cent to FF397m (\$80m), and repeated predictions that full-year results would improve sharply. First-half operating profit advanced 17.4 per cent from FF1.74bn while one-time losses were FF178m, a year earlier to FF1.74bn a year ago. The company compared with a gain of FF1.2m a year ago. The company reported a 6.6 per cent rise in first-half sales to FF29.19bn.

Sales at Schneider Electric, the main division of the group, rose 9.2 per cent on a constant structure basis to FF20.8bn while operating profit rose 22 per cent. Spie Batignolles, the troubled construction unit, managed an operating profit of FF95m and broke even on a net basis, the company said. Schneider warned that the first half's strong sales growth would ease in the second half.

Baloise shake-up pays off

Baloise Insurance, Switzerland's fourth largest insurance group, reported a 15.9 per cent jump in first half consolidated net income to SF96.8m (\$83.4m), caused mainly by restructuring in its non-life business. The group, the first Swiss insurer to publish complete consolidated interim accounts, said it expected full year net income to be more than 10 per cent above last year's SF135.3m.

Premium income in the first half was up 4.5 per cent to SF4.12bn, with non-life business flat at SF1.78bn and life business up 11 per cent to SF2.04bn. Assumed reinsurance was down 7.1 per cent to SF222.7m. The claims ratio on the non-life side eased from 76 per cent to 72 per cent, helping boost its pre-tax profit by a third to SF96.8m. Pre-tax profit on the life business was flat at SF93.1m. In the expectation of improving stock market prices, the group postponed the planned realisation of capital gains.

Ian Rodger, Zurich.

US electric utility to split generation from distribution

By Richard Waters in New York

Niagara Mohawk, an electric utility which serves a large part of northern New York state, yesterday proposed to break itself in half by separating its power generation from its distribution businesses.

The move is one of the most radical yet proposed by a US electric utility in the face of growing pressures from creeping deregulation of the country's electricity markets.

Mr William Davis, chairman, said the company had been hamstrung by regulations which had resulted in high prices for its 1.5m customers.

In particular, he said, Niagara Mohawk had been required to buy electricity from other generators at unrealistically high prices, causing rising prices for consumers at a time when there was an oversupply of power.

Under yesterday's proposal, which needs the approval of New York state regulators among others, the market for electricity in Niagara Mohawk's 24,000-square mile service area would be thrown open. The company's power generation business would

then compete for customers with other suppliers. The regulated distribution business would remain in a separate company.

The reorganisation would depend in part on the company being allowed to renegotiate its contracts with other generators, under which it is required to pay \$1bn this year.

If completed, the plan would also force Niagara Mohawk and many of its suppliers to take big asset write-downs to reflect the newly competitive nature of their market.

The company's proposal is the latest indication of how a separation of generation and distribution, similar to that in the UK, seen as a possible model for the US electricity industry. Southern Company, the Georgia-based company which this year agreed to buy South Western Electricity, the UK distributor, said it expected its experience of the UK market to help it prepare for competition at home.

Niagara Mohawk said that, if its proposal were carried out, prices to residential and commercial customers "could be frozen for five years". Otherwise, it would have to levy "substantial increases".

Coles Myer seeks more time

By Nikkil Tait in Sydney

Mr Solomon Lew, the embattled chairman of Coles Myer, Australia's largest retailer, said yesterday it would take time to resolve the group's boardroom structure and corporate governance, and that "hasty short-term decisions will not necessarily be in the best of interests of all shareholders".

Mr Lew was responding, in a formal letter to the Australian Stock Exchange, to intense speculation that Coles would announce a revamped board structure this week.

Recent disclosures about the

"Yannon transaction" have brought simmering disquiet over Coles' corporate governance standards to the surface. The Yannon transaction was a complex deal which stemmed from the company's desire to keep a tranche of "loose" shares out of potential predators' hands, and ended up costing the company A\$18m (US\$13.7m) while benefitting interests associated with Mr Lew by a like amount.

Institutional investors have been urging a boardroom revamp, including the appointment of an independent non-executive chairman, and new non-executive directors.

Mr Lew's letter is set to raise critics' concerns that the company may be stalling on changes, particularly since he adds that "the views of major investors are important but are not necessarily representative of the company's entire share register, including its 140,000 individual shareholders".

Meanwhile, Coles won an interim injunction preventing the Australian Securities Commission - which is investigating the Yannon matter - from enforcing about a dozen notices served on the retailer seeking more information until the matter can be heard on October 16.

RWE pays increased dividend

By Judy Dempsey in Berlin

RWE, Germany's largest utility group, is to increase its dividend by DM1 to DM14 after recording an 18 per cent rise in net profit for the year ending June 30, its supervisory board announced yesterday.

Profits rose from DM922m in the previous year to DM1,089m (\$755m) while group sales increased from DM55.7bn to DM63.6bn. Earnings per share increased from DM2.70 to DM28.90 over the same period.

Last year, RWE paid a dividend of DM13, but added a bonus of DM1.

The complete divisional breakdown will not be disclosed until next month; however provisional figures show that the electricity division will have contributed 34.1 per cent of total sales but more than 56 per cent of total profits.

Provisional results also show that the oil, petrol and chemicals sector, which make up 37.1 per cent of turnover, continues to be the largest contributor to sales, followed by the electricity sector, then mechanical and plant engineering at 10.3 per cent and mining and raw materials at 7.9 per cent.

The markets, however, will be monitoring the growth of RWE's telecommunications division. RWE last month pulled out of the CNL Communications Network International, a consortium previously headed by Mannesmann Eurokom, RWE and Deutsche Bank. RWE said it would instead focus increasingly on extending its own network.

Mr Dietmar Kuhn, RWE chairman, recently said RWE would, by 2000, "have sales of DM3bn-D4bn from this [telecommunications] sector". This would entail investment of between DM2bn and DM4bn.

COMPANY NEWS: UK

The acquisition of the Ritz has put the Barclay brothers back in the spotlight. Have they paid too much?

Potential in a famous name

By Nicholas Lander

During London's long hot summer, lunch or dinner at The Ritz overlooking Green Park was a welcome relief.

Since signing a new management contract to run The Ritz in May 1994, general manager Brian Williams, chef David Nicholls and the rest of the team from the Mandarin Group, until then best known for its hotels in east Asia, have raised the level of service and food to match what is one of London's prettiest dining rooms.

In came fixed price menus and sensibly priced wines - although there were still a couple of 1949 clarets at 650p each - and Mr Williams' mission statement that guests must be able to "stroll in for lunch at 12.30 and have the bill on their table by 2pm".

However, what they have not been able to rectify are the surroundings which have to pass to reach The Ritz, still the finest name in the hotel industry worldwide. To arrive at your

lunch table you have to pass shops selling discounted timberland boots, a row of phone booths full of prostitutes' calling cards and a bus stop offering tourists trips around London.

This is not quite the setting guests expect when asked to pay £250 a night for a room. And certainly The Ritz's main competitors, The Savoy, The Dorchester and The Langham, offer much more discreet entrances for the discerning businessman or the rock'n'roll star escaping his fans.

Nor, despite its imposing interiors, has The Ritz been able to offer today's travellers exactly what they want. Gyms, swimming pools and business centres were not what César Ritz had in mind in 1906. But Mr Williams knows that this is what is expected in top class hotels today.

Over the past year Mr Williams has closed The Ritz's in-house laundry and sold £100,000 of wine to free space and cash to introduce such innovations, as part of a much

needed capital expenditure programme.

Whether Mr Williams and the Mandarin Group will be in a position to execute these plans is unclear. Although he declared himself excited on hearing of the hotel's new owners, he said the future of the management contract would depend on them.

Whoever finances and executes the plans, there is little doubt among London's senior hotel managers that the Barclay brothers have not only bought themselves the finest name in hotels, but also a potentially lucrative merchandising business.

According to David Broadhead of the Savoy Hotel group, The Ritz needs at least £20m spending on it and his only disappointment is that until today the Barclays used to stay at Claridge's, part of the Savoy group, and itself undergoing £16m of renovations.

However, according to David Levin, proprietor of London's Capital Hotel in Knightsbridge, even allowing for the £20m for

renovations, The Ritz may have come cheap. "When I last heard that The Ritz was for sale 18 months ago, I inquired about the price and was told that no offers were being considered under £100m."

"What is exciting for the new owners - and for anyone who cares for The Ritz which has been neglected for decades - is that Eagle House, the building next door on Arlington Street, is for sale. If the Barclay brothers could buy that, they would be able to transform the whole hotel."

"The Ritz would then have a wonderful, imposing entrance, about 175 bedrooms (at the moment there are only 115) and a terrific restaurant overlooking the park. Around the hotel, on two sides, you'd be able to create a stunning arcade of shops."

Finally, said Mr Levin, the Ritz name could be lent to a range of luxury goods. "Ritz soap, sheets, fragrances even a Ritz School of Cooking - they are all waiting to happen."

See Lex



Reclusive twins' privacy their most valuable asset

By Raymond Snoddy

The new owners of the Ritz, the Barclay Brothers, gave a newspaper interview once. It was October 1983 and a Sunday Telegraph journalist, Stella Shamoon, was lunched by David and Frederick at their flagship Howard Hotel on the London Embankment.

They were prepared to break the habit of a lifetime because they were obviously pleased with themselves for managing to buy Ellerman Lines, the shipping and brewery company, from the even more reclusive Sir John Ellerman for £47m.

In one of the select few quotes attributed to a Barclay brother, David Barclay explained in the 1983 interview: "We went into the property crisis in good shape and like others we got hit - but we survived."

It was also David Barclay - clearly the more loquacious of

the identical twins - who added: "Ellerman was a snip." It is far from clear whether the £75m bill for the Ritz is also a snip, but it is just the sort of purchase that attracts the brothers, who are possibly among the richest men in the UK with estimated worth of £500m.

At the same time as they were stalking the Ritz, the brothers, born in London 60 years ago of poor Scottish parents, were also making an offer of about £200m for the Scottish newspapers in the Thomson Corporation stable, including The Scotsman itself.

If they are successful they will be able to add the titles to The European, which they rescued from extinction after the death of its founder, Mr Robert Maxwell.

The Barclay Brothers are admirers of Lady Thatcher and investors in Sir Tim Bell, her long time adviser. They divide

their time between London and Monaco, and are in the process of building an elaborate mock-Gothic fortress on the small Channel Island of Breckon.

The brothers trained originally as estate agents and moved into property, then into hotels, shipping and brewing. As businessmen, they tend to swoop unexpectedly on targets with the powerful weapon of cash.

Last year's Barclay deal - believed to be worth more than £200m - was the purchase of Automotive Financial Group, one of the UK's biggest motor retailers and then controlled by Mr Octav Botu.

Growing success has not made the brothers any more talkative. Except that David Barclay did break his silence to say: "Privacy is a valuable commodity. There is no incentive for us to talk about our business affairs."

Impeccable connections given a premium rating

By Tim Burt

The Ritz Hotel, which has been sold by Trafalgar House for £75m, enjoyed an asset value far exceeding its Norwegian granite and Portland stone facade - it was a brand that became a byword for high society.

Hoteliers and analysts said yesterday that hotels with pedigrees built on royal patronage and famous guests were gaining value and could command premium prices. Mr Terry Holmes, general manager of the Stafford Hotel and former manager of the Ritz, said: "The property value of named hotels is rising high and we're at the top of the cycle, particularly in London."

The sale of the Ritz follows the disposal earlier this year of the Regent Hotel to the Landmark chain, which fetched about £70m, and of the Stafford - also owned by Trafalgar House - to Shire Inns for £16m. This summer Rank Organisation withdrew from the industry after 22 years with the sale of the partly refurbished Royal Garden Hotel for an undisclosed sum.

In New York, meanwhile, the Plaza Hotel has been sold for more than \$300m (£194m) to CDL Hotels of Singapore and Prince Abdulaziz al Saud of Saudi Arabia. The Waldorf Astoria could also change hands shortly now that Hilton Hotels Corporation has decided to demerge its hotels arm from its casino operations.

Although such hotels were selling at premiums to asset values, the trend has been confined to only a few cities, according to Mr Greg Feehly, hotels analyst at Kleinwort Benson Securities. "It's far easier to sell upmarket hotels in London and New York than in continental Europe," he said.

Ms Kay Dymock, lead partner at Jones Lang Wootton, the international estate agents which handled the Plaza transaction, echoes this view. She said: "The market in London and New York is very strong, which has been helped by high occupancy rates and the weakness of the pound and the dollar." One London hotel being marketed by Jones Lang Wootton has attracted more than 40 bids, many from south-east Asia.

Christie & Co, which handled the Ritz deal, said prices had been forced up by a shortage of quality hotels on the market. According to Mr David Rugg, chairman, that had persuaded the owners of office blocks in London's High Holborn and St James's Park to convert commercial buildings into hotels.

By comparison, the market in Paris was said to be flat and some analysts claimed the Savoy Hotel group was having difficulty selling the Lancaster Hotel, which has been on the market for more than a year. But the company said it was in advanced negotiations to sell the site and hoped to announce a deal shortly.

Strong trading lifts Azlan shares 70p

By Jane Martinson

Shares in Azlan Group jumped 70p to a new high of 420p - valuing it at £91.7m - as the distributor of network computer products reported strong trading ahead of its interim next month.

The group said pre-tax profits were expected to rise from £1.1m to more than £4m in the six months to September 30, on sales up 90 per cent to £72m (£37.7m). SBC Warburg, the house broker, is forecasting full-year profits of £5.5m.

Much of the growth has come from the group's expansion in Europe. While UK sales grew more than 38 per cent to £24m in the half year, turnover in continental Europe, at more than £38m, topped that of the UK for the first time.

Mr Christian Martin, chief executive, said: "Our strategy of developing value-added products and taking those networked services around Europe has been extremely successful."

At flotation almost two years ago, sales from continental Europe represented just 1 per cent of group turnover. Since then Azlan has bought four companies and now operates in seven continental European

countries, covering 80 per cent of the European network computing market.

Azlan's high-margin business includes the distribution of computing products for manufacturers such as Bay Networks, Cisco and IBM, as well as support services.

The group intends to make further acquisitions. "We will continue to grow our business so that the UK has appropriate weighting in the European market," Mr Martin said.

Azlan was floated at 230p. The share price plunged after a profits warning a year ago, which was followed by management changes.

Derwent Valley placing to fund £18m purchase

Derwent Valley placing to fund £18m purchase

By Mark Ashurst

Derwent Valley, the commercial property investor, has acquired 15 central London properties from the Co-operative Insurance Society for £18.3m.

To fund the purchase, it is raising £20.6m by placing 7.7m shares at 275p with institutions. The shares gained 2p to 303p yesterday. The placing is subject to clawback via a 1-for-4 open offer.

Derwent reported pre-tax profits of £1.55m (£3.77m) in the six months to June 30, a fall it attributed to lease expiries at the end of 1994 and refurbishment costs.

Mr John Burns, managing director, said the placing would reduce gearing from the "mid-eighties" per cent range "to the mid-sixties, which gives us room to buy some more".

Gearing had escalated in August, from 51.3 per cent at June 30, with the £31m purchase of six buildings from MEPCO, the property group.

The 15 properties sold by the CIS have a combined floor area of 320,000 sq ft, extending Derwent's overall portfolio to more than 1m sq ft.

Over the last two years, Derwent has added a total of 30 properties, mainly in London's West End, to its portfolio at a cost of about £100m.

Mr Burns said the London property market had improved. There were opportunities "to increase the value of a number of properties prior to possible early disposal".

Net revenue from properties was £3.4m (£4.65m). Earnings per share fell to 4p (12.61p), although the interim dividend is raised to 1.73p (1.58p).

مكتبة الأصيل

WEEK IN THE MARKET

Strike steadies aluminium

Labour troubles at Alcan Aluminium of Canada helped aluminium prices weather an overall bearish trend at the London Metal Exchange this week.

While copper was leading other metals sharply downwards concern about lack of progress at negotiations on new labour contracts for 4,000 Alcan smelter workers underpinned aluminium values.

News yesterday morning of a general strike at three Alcan plants with a combined annual production capacity of nearly 500,000 tonnes sent values briefly into the plus columns for the week, but the gains were erased later.

The three months delivery position reached 1,805 a tonne before slipping back to close at

LME Warehouse Stocks (as at Thursday's close)	
tonnes	
Aluminium	3,200 to 330,525
Aluminium alloy	400 to 40,500
Copper	3,275 to 175,500
Lead	1,000 to 20,000
Nickel	1,125 to 50,100
Zinc	1,425 to 740,375
Tin	630 to 14,540

1,774.50, down \$13 on the week but \$5.50 above Tuesday's low.

Three months copper closed at \$2.81 a tonne, down \$41.50 on the day and \$81.50 on the week, after dipping early on to \$2.70.

Copper prices had been under pressure all week with sellers encouraged, traders told the Reuters news agency, by news that major Japanese smelters planned to boost output of refined copper by nearly 10 per cent in the six months to March 1996, compared the same period last year, in response to an increase in availability of copper ore. Concern that copper exports by Codelco of Chile were back to normal at the port of Antofagasta after an earthquake in July encouraged the bearish mood, as did optimism by management that a Zambian rail

dispute was close to resolution.

Another big loser on the week at the LME was nickel, which fell \$380, in the three months position, to \$3,042.50 a tonne. Most of the fall came on Monday, in a continuation of last week's sell-off. An attempted rally on Wednesday quickly ran out of steam and yesterday morning the price dipped below \$3,000 before the announcement of another sizeable fall in LME warehouse stocks of the metal steadied the market.

The heaviest selling of base metals at the LME came late on Thursday. "What initially looked like a bit of profit-taking (by investment funds) ahead of the Friday LME stocks report, soon turned into a vicious price rout," said Old Minnet analyst Nick Moore in the Thursday night issue of the broker's Daily Metal Market Monitor. "The trade is not getting its regular fix of punchy LME (stocks) drawdowns with slowed and contracts such as copper tin and aluminium now showing increases. Renewed economic growth next year needs to be not only strong enough to burn off the aggressively rising supply side response, but it also has to be strong enough to generate big enough market deficits to allow overall stock erosion to continue."

At the London Commodity Exchange coffee futures built on last week's late rally. The January delivery position gained \$11 yesterday to \$2.263 a tonne, \$92 up on the week.

Traders told Reuters that strong fundamentals were underpinning the market, with a shortage of robusta physicals and higher differentials fueling the upward move. In addition the big investment funds were having to buy back short positions, they said.

News that exporters in Brazil had exceeded the quotas set under the export retention scheme was bearish, the traders noted but "the fact that bad news has been shrugged off must show a degree of strength," said one. "People don't feel like being short," another commented.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest price	Change on week	Year ago	1995	Low
Gold per troy oz.	\$383.10	-0.65	\$362.70	\$394	\$373
Silver per troy oz.	\$328.00	-1.57	\$268.00	\$375.00	\$267.00
Aluminium 99.7% (cash)	\$1,762.50	-13.0	\$1,694.5	\$2,148.50	\$1,722.50
Copper Grade A (cash)	\$2,811.0	-6.5	\$2,692.0	\$2,722.50	\$2,722.50
Lead (cash)	\$2,035.0	-11.5	\$2,035.0	\$2,035.0	\$2,035.0
Nickel (cash)	\$3,042.5	-35.5	\$2,985.0	\$3,042.5	\$2,985.0
Zinc (cash)	\$2,035.0	-7.0	\$2,035.0	\$2,035.0	\$2,035.0
Tin (cash)	\$14,540	-18	\$14,540	\$14,540	\$14,540
Cocoa Futures Dec	\$2,383	-0.08	\$2,383	\$2,383	\$2,383
Coffee Futures Nov	\$2,474	-0.3	\$2,474	\$2,474	\$2,474
Barley Futures Nov	\$114.7	-0.7	\$114.7	\$114.7	\$114.7
Wheat Futures Nov	\$4.50	-0.05	\$4.50	\$4.50	\$4.50
Cotton Outlook A Index	45.0	-0.1	45.0	45.0	45.0
Oil (Brent Blend)	\$18.75	-0.05	\$18.75	\$18.75	\$18.75

Per tonne unless otherwise stated. p Pence; c Cents; \$ Dollars.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS		Yield	Price	Days' change	Week	Month
Coupon	Rate					
Australia	7.500	07/05	93.2400	+1.00	8.53	8.14
Belgium	6.875	08/05	98.4000	-0.40	8.95	8.97
Canada	8.000	05/05	98.1700	-0.40	7.15	7.15
Denmark	8.000	07/05	98.1700	-0.40	7.15	7.15
France	7.500	07/05	98.1700	-0.40	7.15	7.15
Germany Bund	6.250	10/04	97.9500	-0.10	8.19	8.30
Ireland	10.000	04/05	98.1700	-0.40	7.15	7.15
Italy	10.000	07/05	98.1700	-0.40	7.15	7.15
Japan	10.000	07/05	98.1700	-0.40	7.15	7.15
Netherlands	10.000	07/05	98.1700	-0.40	7.15	7.15
Portugal	10.000	07/05	98.1700	-0.40	7.15	7.15
Spain	10.000	07/05	98.1700	-0.40	7.15	7.15
Sweden	10.000	07/05	98.1700	-0.40	7.15	7.15
UK Gilt	10.000	07/05	98.1700	-0.40	7.15	7.15
US Treasury	6.875	08/05	98.1700	-0.40	7.15	7.15

Yields: Local market standard.

Prices: UK in £/100, others in \$/100.

Source: Reuters International

ECONOMIC DIARY - FORWARD EVENTS

TODAY: Group of Seven finance ministers meet in Washington.

TOMORROW: Group of 10 meets in Washington. The International Monetary Fund's policy-making interim committee meets in Washington. Sixteenth Congress of the World Energy Council in Tokyo (until October 13).

MONDAY: Producer prices (September). Overseas transactions of the film and TV industries. US consumer credit (August). European Parliament in plenary session (13). Franco-Spanish heads of state summit in Madrid (until October 10). Barents Euro-Arctic council convenes in Finland. Senior Apec officials meet in Tokyo ahead of Osaka summit in November. Parliamentarians attend conference on inter-parliamentary union in Bucharest (until October 14). Preliminary results from Lucas Industries. Columbus Day holiday in US.

TUESDAY: Bosnian ceasefire becomes effective. New construction orders (August). Conservative Party conference in Blackpool (until October 13). French public sector workers' strike. IMF/World Bank annual meeting opens. Nobel prize for economics announced.

WEDNESDAY: Green Party annual conference opens in Southport. Goldman Sachs/institute for Fiscal Studies hold economic and green budget seminar in London. Nobel prize for chemistry and chemistry.

THURSDAY: New earnings survey - 1995 Part B; analyses by agreement. Machine tools (August). Retail prices index (September). June census of agriculture and horticulture in UK (1994 provisional). US producer price index (September). French current account (July). International conference on "Peace in the Balkans" in Valletta (until October 15). Spanish markets closed for public holiday.

FRIDAY: Usable steel production (September). CBI survey of distributive trades (September). US consumer price index (September). Retail sales (September). Bank of Japan publishes statistics for September. Mr John Major, prime minister, addresses Conservative Party conference in Blackpool.

BASE METALS

LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1762.3	1774.5
Previous	1762.3	1774.5
High/Low	1762.3/1762.3	1774.5/1774.5
AM Official	1763.3	1775.5
Kerb close	1763.3	1775.5
Open int.	204.57	45.37
Total daily turnover	45.37	

ALUMINIUM ALLOY (\$ per tonne)

	1505-15	1550-15
Close	1505-15	1550-15
Previous	1505-15	1550-15
High/Low	1505-15	1550-15
AM Official	1510-20	1550-60
Kerb close	1510-20	1550-60
Open int.	5.075	
Total daily turnover	425	

LEAD (\$ per tonne)

	505-5	505-5-0
Close	505-5	505-5-0
Previous	505-5	505-5-0
High/Low	505-5	505-5-0
AM Official	505-5	505-5-0
Kerb close	505-5	505-5-0
Open int.	3.225	
Total daily turnover	6.693	

NICKEL (\$ per tonne)

	7920-30	8040-45
Close	7920-30	8040-45
Previous	7920-30	8040-45
High/Low	7920-30	8040-45
AM Official	7920-30	8040-45
Kerb close	7920-30	8040-45
Open int.	45.405	
Total daily turnover	7.417	

TIN (\$ per tonne)

	8235-45	8270-75
Close	8235-45	8270-75
Previous	8235-45	8270-75
High/Low	8235-45	8270-75
AM Official	8235-45	8270-75
Kerb close	8235-45	8270-75
Open int.	19.857	
Total daily turnover	3.204	

ZINC, special high grade (\$ per tonne)

	994-5	1017-8
Close	994-5	1017-8
Previous	994-5	1017-8
High/Low	994-5	1017-8
AM Official	994-5	1017-8
Kerb close	994-5	1017-8
Open int.	77.46	
Total daily turnover	8.318	

COPPER, grade A (\$ per tonne)

	2838-48	2810-12
Close	2838-48	2810-12
Previous	2838-48	2810-12
High/Low	2838-48	2810-12
AM Official	2838-48	2810-12
Kerb close	2838-48	2810-12
Open int.	18.153	
Total daily turnover	47.549	

LME ALUMINUM OFFICIAL (\$ per tonne)

LME CLOSING \$/T (1,5812)

Spot: 1,5812 3 mos: 1,5781 6 mos: 1,5748 9 mos: 1,5720

HIGH GRADE COPPER COMEX

	Sett	Day's	High	Low	Open
Oct	128.10	+0.10	130.80	128.10	134.20
Nov	128.10	+0.10	130.80	128.10	134.20
Dec	128.10	+0.10	130.80	128.10	134.20
Jan	128.10	+0.10	130.80	128.10	134.20
Feb	128.10	+0.10	130.80	128.10	134.20
Mar	128.10	+0.10	130.80	128.10	134.20
Total	128.10	+0.10	130.80	128.10	134.20

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N.M. Rothschild)

	Gold (Troy oz)	Silver (Troy oz)	Platinum (Troy oz)
Close	382.80-383.30	328.00-328.50	1,771-1,772
Open	382.80-383.30	328.00-328.50	1,771-1,772
High	382.80-383.30	328.00-328.50	1,771-1,772
Low	382.80-383.30	328.00-328.50	1,771-1,772
Sett	382.80-383.30	328.00-328.50	1,771-1,772

LONDON GOLD FUTURE (1000 troy oz)

	Sett	Day's	High	Low	Open
Oct	128.10	+0.10	130.80	128.10	134.20
Nov	128.10	+0.10	130.80	128.10	134.20
Dec	128.10	+0.10	130.80	128.10	134.20
Jan	128.10	+0.10	130.80	128.10	134.20
Feb	128.10	+0.10	130.80	128.10	134.20
Mar	128.10	+0.10	130.80	128.10	134.20
Total	128.10	+0.10	130.80	128.10	134.20

LONDON SILVER FUTURE (1000 troy oz)

	Sett	Day's	High	Low	Open
Oct	128.10	+0.10	130.80	128.10	134.20
Nov	128.10	+0.10	130.80	128.10	134.20
Dec	128.10	+0.10	130.80	128.10	134.20
Jan	128.10	+0.10	130.80	128.10	134.20
Feb	128.10	+0.10	130.80	128.10	134.20
Mar	128.10	+0.10	130.80	128.10	134.20
Total	128.10	+0.10	130.80	128.10	134.20

LONDON PLATINUM FUTURE (1000 troy oz)

	Sett	Day's	High	Low	Open
Oct	128.10	+0.10	130.80	128.10	134.20
Nov	128.10	+0.10	130.80	128.10	134.20
Dec	128.10	+0.10	130.80	128.10	134.20
Jan	128.10	+0.10	130.80	128.10	134.20
Feb	128.10	+0.10	130.80	128.10	134.20
Mar	128.10	+0.10	130.80	128.10	134.20
Total	128.10	+0.10	130.80	128.10	134.20

LONDON GOLD FUTURE (1000 troy oz)

	Sett	Day's	High	Low	Open
Oct	128.10	+0.10	130.80	128.10	134.20
Nov	128.10	+0.10	130.80	128.10	134.20
Dec	128.10	+0.10	130.80	128.10	134.20
Jan	128.10	+0.10	130.80	128.10	134.20
Feb	128.10	+0.10	130.80	128.10	134.20
Mar	128.10	+0.10	130.80	128.10	134.20
Total	128.10	+0.10	130.80	128.10	134.20

LONDON SILVER FUTURE (1000 troy oz)

	Sett	Day's	High	Low	Open
Oct	128.10	+0.10	130.80	128.10	134.20
Nov	128.10	+0.10	130.80	128.10	134.20
Dec	128.10	+0.10	130.80	128.10	134.20
Jan	128.10	+0.10	130.80	128.10	134.20
Feb	128.10	+0.10	130.80	128.10	134.20
Mar	128.10	+0.10	130.80	128.10	134.20
Total	128.10	+0.10	130.80	128.10	134.20

LONDON PLATINUM FUTURE (1000 troy oz)

	Sett	Day's	High	Low	Open
Oct	128.10	+0.10	130.80	128.10	134.20
Nov	128.10	+0.10	130.80	128.10	134.20
Dec	128.10	+0.10	130.80	128.10	134.20
Jan	128.10	+0.10	130.80	128.10	134.20
Feb	128.10	+0.10	130.80	128.10	134.20
Mar	128.10	+0.10	130.80	128.10	134.20
Total	128.10	+0.10	130.80	128.10	134.20

LONDON GOLD FUTURE (1000 troy oz)

	Sett	Day's	High	Low	Open
Oct	128.10	+0.10	130.80	128.10	134.20
Nov	128.10	+0.10	130.80	128.10	134.20
Dec	128.10	+0.10	130.80	128.10	134.20
Jan	128.10	+0.10	130.80	128.10	134.20
Feb	128.10	+0.10	130.80	128.10	134.20
Mar	128.10	+0.10	130.80	128.10	134.20
Total	128.10	+0.10	130.80	128.10	134.20

LONDON SILVER FUTURE (1000 troy oz)

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Saturday October 7 1995

The G7 and the world

By 2004 the countries still known as "developing" will generate a slightly larger share of total world output than those known, ever more inaccurately, as "industrial". This is the most intriguing forecast in the latest World Economic Outlook from the International Monetary Fund. The finance ministers and central bank governors of the group of seven leading industrial countries, meeting this weekend, may not remain masters of their universe much longer.

These figures exaggerate the international impact of developing countries. Nevertheless, the transformation under way must not be underestimated. One third of world exports go to developing countries. In developing countries, excluding oil exporters, the average ratio of trade to gross domestic product has risen from 10 per cent of GDP in 1970 to just under 30 per cent last year, 10 percentage points higher than in industrial countries.

Net capital flows to developing countries averaged \$130bn a year during the 1990s, while 40 per cent of the net capital flows to Asian countries between 1989 and 1994 were of foreign direct investment. The level of direct investment is also, for obvious reasons, an excellent indicator of economic success, as is indicated by the contrast of Asia with Latin America, where more fickle portfolio capital dominated these flows.

Yet successful developing countries are far more dependent on domestic capital than on any inflow from abroad. One intriguing indicator is the depth of equity markets: in Chile, Korea, Malaysia, Mexico and Singapore, stock market capitalisation as a proportion of GDP exceeds that of Germany, France, or Italy.

Future prosperity
Mexico's mishap suggests this is no infallible sign of future prosperity. But high stock market capitalisations are another indicator of the spread of market economics. These changes are, dare one say it, more important for the future of Europe than whether a narrow monetary union is formed in 1999.

Three observations suggest that these radical changes are unlikely to stop. First, the close correlation that used to exist between growth in industrial and developing countries has broken down. Between 1990 and 1993 growth in developing countries increased sharply, in spite of the slowdown in industrial countries. The GDP of Asian developing countries is now forecast to expand by just under 50 per cent between 1990 and the end of this year.

Second, the Mexican crisis has proved no more than a brief hiatus. While the WEO's short-term

forecast for industrial countries has been marked down since last May, the reverse has happened for many developing countries. The interruption in capital flows has had particularly little impact on foreign direct investment and on Asian developing countries. By contrast, portfolio flows and flows to Latin America were more seriously affected.

Third, ever more countries are clambering onto the growth train. Even central and eastern Europe (excluding Ukraine and Belarus) is forecast to achieve economic growth of 4 per cent this year, while the level of output in Albania, Poland and Slovenia is well above its trough.

Important challenge

The questions confronting those meeting in Washington are, on the whole, those of success. But they are not universally so, the most important exception being Africa. Mr Jim Wolfensohn, recently appointed president of the World Bank, needs to say what he intends to do about this, the most important challenge confronting his organisation. A part of the answer must be an imaginative marriage of external debt reduction with massive improvements in policy formation and execution in African countries.

Another challenge confronting those assembled in Washington will be to draw the right lessons from the Mexican debacle. One is that portfolio capital, particularly short-term lending is irremediably twitchy. People lend short term in order to be able to get out swiftly. But they cannot all do so. The right response cannot be a repetition of the Mexican bail out. What is needed instead is a combination of better debt management by developing countries, with provision of more information to the markets and a smoother official reaction to crises, including, where necessary, an internationally supervised halt to demands for redemption.

The last task is for the industrial countries. The G7 process has, inevitably, tended to focus on short-term macroeconomic management and, in particular, on exchange rates. Sometimes this is useful, the intervention to push up the US dollar in August being an obvious example. But there is far more to think about than the short-term situation.

For Mr Clinton and other politicians, the burning question is whether this year's decline in economic growth is the pause that refreshes or the harbinger of a longer-term slowdown. For most private citizens of their countries, what matters is something longer term. It is how to adjust to a world in which such transformations are occurring elsewhere.

On a rain-drenched afternoon this week, Mr Tony O'Reilly, chief executive of the Heinz food group, cut the ribbon on a \$20m (£13m) baby food manufacturing plant in Georgievsk, a town in the Stavropol region of southern Russia.

The investment underlines how important a market Heinz thinks Russia may become, in spite of the political crises, economic depression and crime which still rack the country. "We believe Russia is rapidly becoming a vibrant consumer society," Mr O'Reilly says.

Heinz is just one of a wave of western consumer products companies seeking to exploit the potentially lucrative market provided by Russia's large and well-educated population of 150m.

These companies are trying to tap into the islands of relative affluence thrown up - primarily in urban areas - by the seismic shifts in the Russian economy as the military industrial base declines and the service sector expands. Increasingly, they are deciding to invest in Russia, rather than importing products from factories in other countries.

Russia's consumer revolution has touched every level of society, with Snickers chocolate bars and Absolut vodka on sale in even the remotest regions.

Many railway stations and sports stadia have been converted into vast flea markets to cater for the needs of the poorer end of the market. Thousands of private traders, who would have been condemned as speculators in Soviet times, gather at weekends to hawk goods.

At the top end of the market, glitzy supermarkets sell live lobster and expensive French champagnes for the country's new rich. There are ready buyers for \$2,000 dresses in Russia's shiny new fashion boutiques, and the latest Mercedes cars and stretch limousines now cruise Moscow's streets.

But what really attracts the western consumer products companies is the emergence of a prosperous middle class.

According to a study by McKinsey, the management consultants, at least 30 per cent of the population earns more than \$200 a month. Given the low costs of housing, transport and energy - a legacy of communist days - a high proportion of this income is available for discretionary spending.

The middle class is chiefly clustered in the big cities, which makes it easier to target potential customers. The Moscow region contains 11m consumers, representing a bigger concentration of people than in the Czech republic. St Petersburg, with more than 5m inhabitants, is larger than Slovakia, Denmark or the US state of Indiana.

Advertising hoardings have mushroomed in many cities to

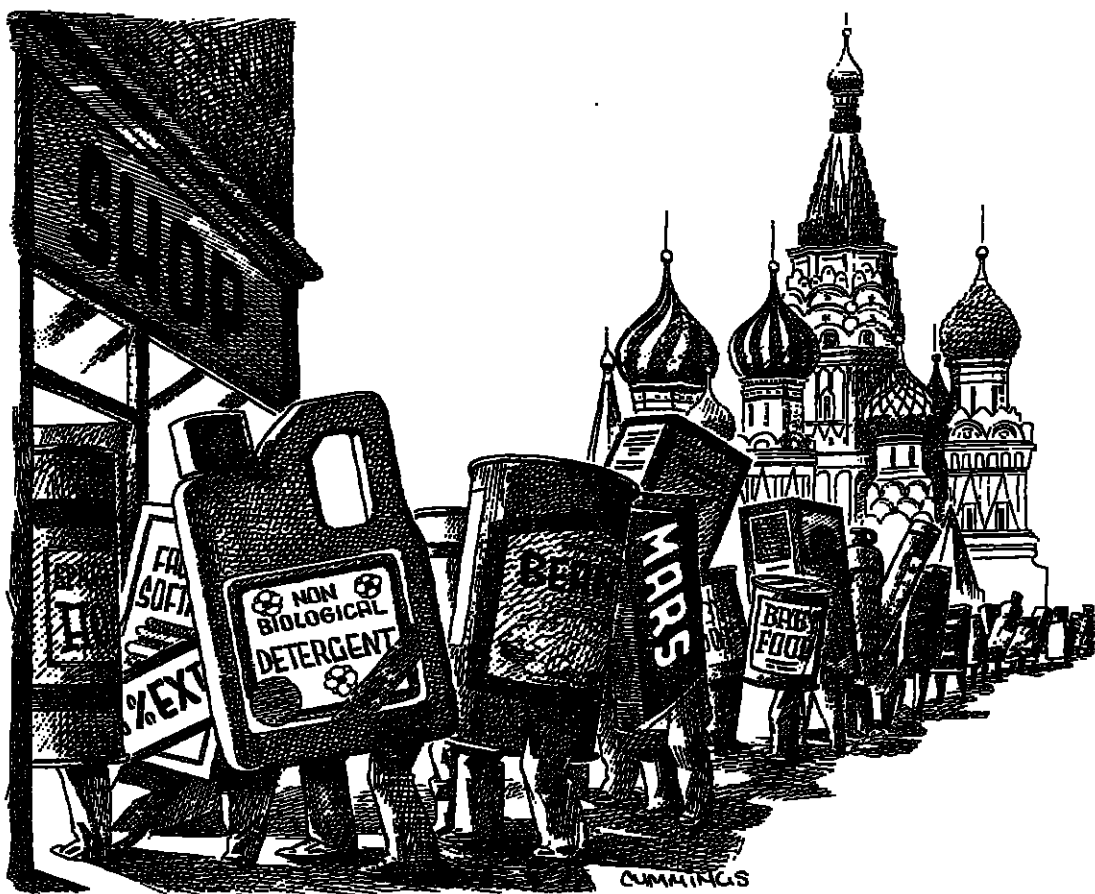
One of the many mysteries about the Russian economy is how demand for consumer goods appears so strong while gross domestic product seems to have fallen so much. The natural response is to believe the official statistics must be wrong.

The Organisation for Economic Co-operation and Development highlighted many statistical discrepancies in its recent report on the Russian economy. In particular, it said it was hard to reconcile the drop in output with the rise in real income since the collapse of the Soviet Union.

"Most remarkably, while industrial output appears to have been

Russia's prosperous middle classes are developing a growing appetite for western consumer goods, says John Thornhill

To Russia with baked beans



attract these consumers, adding colour to the grey urban landscape. Locally-produced television commercials now burst out in the breaks in the Dynasty soap-opera serial. The circulation of the Russian edition of Cosmopolitan is one of the largest in the world, while other glossy magazines spring up seemingly every other day.

Newspapers advertise *shopuri* (shopping trips) to western countries allowing visitors to stock up with the latest western fashions. Late night home-shopping programmes, such as *Shop from your Sofa*, which sells everything from exercise equipment to high-heeled

shoes, blanket Russian television.

Heinz is aiming to ride this consumer wave and predicts its sales of locally produced baby food - as well as imported baked beans and sauces - will rise from \$20m in 1996 to \$100m within three years, at which time it expects to break even on its investment.

Western consumer products companies such as Philip Morris, Unilever, Procter & Gamble, Wella, L'Oréal, Coca-Cola and BAT Industries have been exporting increasing volumes of goods to Russia since the collapse of the communist system. They are now growing increasingly aggressive about

investing in the country.

Mars, the privately-owned US foods company which was one of the first multinationals to move into Russia on a large scale, is already producing chocolate from a \$150m plant in Stupino, outside Moscow. Despite some setbacks, it still has plans to invest \$500m at the site to start manufacturing pet foods, ice cream, and sauces.

Cadbury Schweppes is also committed to building a chocolate plant near St Petersburg while Nestlé has bought a 49 per cent stake in a manufacturing enterprise in Samara. Last month, Inchope, the UK services group, opened a bot-

ting plant for Coca-Cola in Volgograd in southern Russia.

Western retailers are also beginning to take an interest in the Russian market, as shown by the steep rise in rents for prime retail space. Allied Domecq, which manufactures Baskin Robbins ice cream, has opened 180 stores and distribution points in Russia and is exploring the opportunities to open Dunkin' Donuts restaurants.

"We are looking at three long-term developing markets which will have a big impact on fast food retailing in the future: India, China and Russia. But we are only investing \$30m in an ice cream plant in one of these countries. At the moment Russia is in the lead," says Mr Malcolm Wright, managing director of Allied Domecq's international retailing arm.

Yet the problems of operating in Russia are legion. The growing strength of nationalism threatens to spark an anti-western backlash in the forthcoming parliamentary elections in December, with unpredictable consequences for foreign investors.

The tax and tariff regimes change with alarming regularity. Many joint venture companies have experienced trouble with their Russian partners who are often more interested in spending profits today than in reinvesting for tomorrow.

Distribution of goods can also prove erratic and local trading monopolies are emerging in some regions, cutting the manufacturers' margins. As high inflation has raged in Russia, distributors have also stockpiled western goods, leading to volatile supply. Some consumer goods companies have had to withdraw and destroy food products as their expiry dates neared, or cut supply as prices have fallen.

High-profile cash generative businesses, such as car dealerships and restaurants, are sometimes subject to violent attacks. One of the British-style John Bull pubs, part-owned by Allied Domecq, was damaged in a bomb attack earlier this year. The company will say only that the incident was the result of an unrelated dispute between its Russian partner and a third party.

Western companies can find it hard to adjust to local conditions, cultures, and mentalities. Russians laughed at the advertisements for Wash and Go shampoo: the translation of "Vosh" means headache.

"Russia is a land of contradictions," says Ms Nikita von Liepmann, a marketing manager for Mars. "In some senses it is a very developed market but it has very bad infrastructure. There is huge demand for consumer goods but it is becoming increasingly discerning. Unless you try to understand all these peculiarities, your business will fall by the wayside."

bours, and officials receive additional income by means of kickbacks or bribes. Many Russians have second or third jobs.

Several consumer products companies have tried to assess spending power informally by employing women to conduct opinion polls in the streets. But even this data may be unreliable, since many do not give truthful answers - fearing the information will be given to the tax authorities or the local mafia who will demand extortion money.

"There is a lot of money in Russia," says one entrepreneur in Ekaterinburg, an industrial city in the Urals. "The statistics may not always show it. But you can just smell it."

Statistical game of roulette

halved since January 1992, real disposable income has doubled. The latter increase coincides with a concomitant increase in real expenditure on goods and services," it states.

The official figures give some indication of the scale of changes in the Russian economy as the old state sector has dissolved and new industries such as retailing and advertising have emerged. According to Goskomstat, the state statistics committee, the share of gross domestic product attributable to services has risen from 33 per cent

in 1990 to 50 per cent last year. But many independent economists believe these figures understate the full impact of the restructuring. Much economic activity in the service sector is conducted in US dollars and goes largely unrecorded.

The government estimates there may be as much as \$20bn in US dollar bills stashed under mattresses - more than the value of rouble notes in circulation. It also estimates that some of the more than \$50bn of capital which has left Russia since 1991 is beginning to

return as the economy stabilises.

While the World Bank estimates that a third of the population may now live below the official poverty line, many millions of Russians are living far better than before. The bank suggests Russia's income distribution is now one of the most unequal in the world - on a par with those of Argentina or the Philippines.

The strength of Russia's informal economy is everywhere visible. Car drivers offer passengers rides for small fares, city dwellers sell crops from their allotments to neigh-

MAN IN THE NEWS: Sir Iain Vallance

A smooth operator

Sir Iain Vallance, the super-smooth chairman of British Telecommunications, prides himself on being a business leader who knows how to handle politicians. Ever since his days as a young graduate in the nationalised Post Office in the late 1960s, when he worked in the chairman's office, he has honed his political skills.

This week in Brighton he took his vocation to new heights. In a blaze of publicity, culminating in a well-advertised private meeting with the Labour leader, he sealed an eye-catching "superhighways" agreement with Mr Tony Blair designed to boost the fortunes of both BT and New Labour. In the process, he sparked a ferocious government attack on Labour - and by implication on himself - and a fresh burst of controversy over BT's dominance of the UK telecoms market.

Under the arrangement, BT will get its long-sought freedom to provide broadcast entertainment to Britain's homes across new fibre-optic telecoms lines - the so-called "superhighway". In return, it has pledged to provide free connections for schools, hospitals and libraries.

For Mr Blair it was an undoubted victory. Not only did it give his leader's speech the air of a ministerial broadcast, it also offered the promise of massive infrastructure investment at virtually no cost to a Labour Treasury.

Forget that Labour is in combat with the other privatised utilities, and that if BT is allowed into the domestic entertainment market too soon it might strangle the cable operators, eliminating any serious competition in the local telecoms market. For Mr Blair - consciously echoing the technological enthusi-

asms of Harold Wilson 30 years ago - it is a model public/private partnership. He will boast of it all the way to the next general election due by 1997.

For BT, however, the upside is less certain. Much may now depend upon Sir Iain having called the result of that election correctly.

Lord Tebbit, a non-executive director of BT, has been characteristically robust in his defence, but not all BT's senior executives are as keen on Sir Iain's latest venture. Some are unconvinced that the company should jump feet first into multimedia for the home - at a cost of between £10bn and £15bn - before demand for it is evident. There is also concern that the chairman, in rushing to leap aboard Mr Blair's bandwagon, may be showing insufficient care for BT's relations with the present government.

Sir Iain's political touch has not always been completely sure. He slipped badly earlier this year on the subject of the salaries of "fat cat" executives. At an appearance before a Commons committee he went on the offensive, telling MPs that he worked so hard for his keep that it might be "relaxing" to be a junior director.

"He thought he'd got the measure of them and could inject a few home truths to calm the future," says a close colleague. He has not repeated the attempt.

His latest political venture could easily leave BT vulnerable. Sir Iain insists there was no deal with Labour, just a response to an evident Labour willingness to implement a call from MPs for the existing BT ban to be lifted.

"What's important for us is to have some degree of regulatory certainty," says Sir Iain. But what if Mr Major, not Mr Blair, rules the



roost? "We are certain about the degree of uncertainty we face at the moment," he replies vaguely, refusing to be drawn on the private reaction to this week's "agreement" of Mr Ian Lang, the trade and industry secretary. Mr Lang has made spirited public comments in defence of the protection given to cable companies against early competition from BT.

In short, Sir Iain has taken a gamble. He will have to hope that, even if Mr Blair loses, the present government would not extend the existing BT ban much beyond the initial 10 years promised to the cable companies in 1991. But politicians are a fickle crew, particularly when suffering from pique.

In any case, Sir Iain is unlikely to be at BT by then. Although only 52, he has been chairman of the UK's telecoms giant for eight years and chief executive for nine, and has always said he does not envisage ending his working days in telecoms. His decision to become a non-

executive director at the Royal Bank of Scotland may be a pointer. "It is interesting for me to have a foot back in my own country," he says of the job. His parents still live in Edinburgh, and it is not going unnoticed that Lord Younger, Royal Bank's present chairman, will retire in the next few years.

Whatever his next move, Sir Iain's overall record at BT to date is hard to fault. He inherited an inefficient utility. It is now one of the most respected and go-ahead telecoms companies in the world. Prices have fallen sharply in real terms. Efficiency has improved dramatically, with more than 100,000 posts shed in the past five years, yet no serious industrial unrest.

BT's most important challenge is "where next". It has four obvious strings to its bow: large amounts of free cash to invest; a stake in MCI, the second biggest US long-distance carrier, and with it a joint venture to provide one-stop services to multinationals; a share in Cellnet, the highly successful UK mobile phone operator; and the development of a UK "superhighway". A large part of this fibre-optic network is already constructed - but not the vital local network into residential homes and most public-sector institutions.

The problem is how to develop the last two of these - Cellnet and the move into residential multimedia - in a restrictive regulatory environment. Of tel, the telecoms watchdog headed by fellow Scot Mr Don Cruickshank, has not been persuaded by the argument that BT needs a free hand at home to compete effectively abroad. Anyway, for all the hype, the international telecoms market is developing slowly and the UK will be BT's bread and butter for the foreseeable future.

This week's move by Sir Iain is but his latest attempt to overcome what he sees as a regulatory blockade. If it succeeds, he could become prime minister Blair's favourite industrialist - the Lord King of the next government. If it fails, Scotland beckons.

Andrew Adonis

FT CITYLINE

Sector reports by Fax

Banks and Insurances	0891 437 151
Drinks	0891 437 153
Healthcare and Pharmaceuticals ..	0891 437 154
Leisure and Hotels	0891 437 155
Media	0891 437 156
Oil and Extractive Industries	0891 437 152
Property	0891 437 159
Retailers	0891 437 157
Utilities	0891 437 158

The latest share price reports by dialling the above numbers from the handset or keypad on your fax machine.

Calls are charged at 39p/min cheap rate and 49p/min at all other times

For details of Cityline International services to customers outside the UK, please call +44 171 873 4378

FT

FINANCIAL TIMES

مكتبة الأصيل

Proposed US legislation to limit immigration and change the status of non-citizens has provoked opposition, says Jurek Martin

It might be assumed that the current US obsession with immigration is mostly directed at illegal Mexicans streaming across the southern border. That was the thrust of California's Proposition 187 last year, which voted to deny them social services. And it has been a regular refrain in the presidential campaigns of populist Republicans such as Pat Buchanan and, until he withdrew a week ago, Governor Pete Wilson of California.

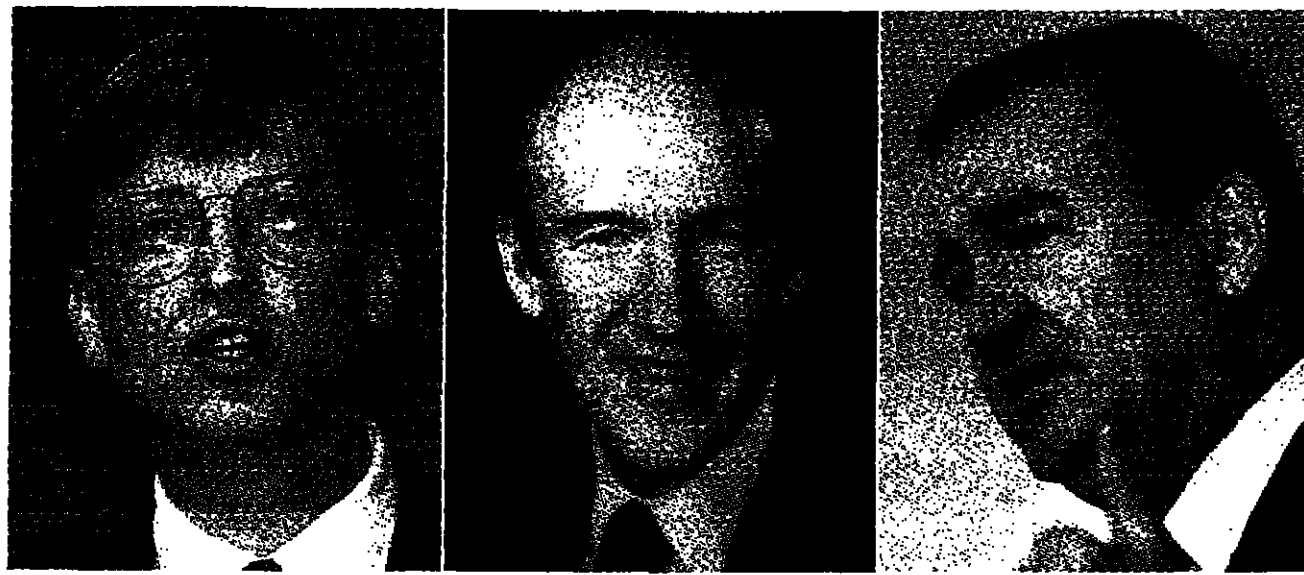
Nothing could be further from the truth. Sprouting like the Hydra, all over Congress are bills that could affect the status and hopes of all those drawn to, or already in, this nation of immigrants. So wide-ranging are the issues that even the likes of Microsoft, that jewel of the high-technology corporate crown not known as an employer of poor Mexicans, has become involved.

The various bills would, for the first time, deny legal resident non-citizens the social services for which they have paid taxes and would set an arbitrary ceiling for the annual admission of refugees. People seeking to bring in members of their immediate family would be subject to tighter reunification rules over who might be admitted. And exciting the interest of the semiconductor industry, fewer foreigners with special skills to offer would be admitted, with US companies facing the prospect of fees and premium wages for those they do recruit.

Some of the proposals are in broad legislation, such as the reforms of welfare and the Medicare and Medicaid federal health programmes, all of which would circumscribe legal immigrant access. Non-citizens have emerged as easy targets for those in search of budget savings and for both the Buchananite "America Firsters", who loathe multiculturalism in all its manifestations, and the old, union-dominated left, consumed by the need to preserve American jobs for Americans.

Specific attention focuses on two immigration bills still in their congressional committee stages. The House version, more advanced in the drafting, is sponsored by Congressman Lamar Smith of Texas, the Senate counterpart by Alan Simpson of Wyoming. Both use as a working framework the report issued this summer by the Commission on Immigration Reform, the presidentially appointed panel headed by Barbara Jordan, the former Democratic congresswoman from Texas and renowned fighter for civil rights.

This report, welcomed by a White House only too eager to ride the populist anti-immigrant wave with Mrs Jordan as protective cover, recommended that legal admissions, currently running at about 800,000 annually, be progressively cut to 550,000.



Immigration watchers: (left to right) Bill Gates of Microsoft, Senator Alan Simpson and presidential hopeful Pat Buchanan

Of this, 400,000 would be admitted under family reunification, but with priority given to US citizens' spouses and children who are still minors, over the parents, brothers and sisters of legal residents. The special skills category would be reduced to 100,000 from 140,000, and the current 20,000 unskilled quota abolished.

Only 50,000 refugees a year would be permitted to enter without an express waiver from Congress. The inflow to the US of those fleeing unreasonable persecution at home reached a recent high of

207,000 in 1980, dropped to 82,000 in 1983 and 1988 and was about 110,000 last year. Congressmen Smith may be willing to raise the refugee cap to 75,000, but only if the principle of Congress setting a ceiling is codified into law.

But it was the recommendations on skilled immigrants that raised Microsoft's hackles. Its domestic labour force is about 25,000 and rising rapidly, of which about 5-7 per cent are foreign born. The commission proposed that employers pay a fee to the government of up to 30 per cent of the first year's

salary of an immigrant recruit, plus wages at least 5 per cent above the prevailing norm, and guarantee a minimum of two years' employment. The purpose, the report said, was for companies "to demonstrate the bona fide need for a foreign worker and to increase competitiveness of US workers".

Obviously the money is not a problem to Microsoft (net income \$1.45bn in its last financial year) or any other US semiconductor multinational. But the principle that they cannot recruit whomever they want is a problem, according to

Demetrios Papademetriou of the Carnegie Endowment think-tank and the Washington expert in immigration matters. He says companies are perfectly capable of moving operations offshore if the requisite talent is denied them.

Bill Gates of Microsoft said as much in a letter to Congress last month, co-signed by the chairman of Hewlett-Packard, Intel, Sun Microsystems and Texas Instruments. "The availability of electrical, computer and software engineers on a timely basis is critical to our business success," they wrote.

"Delays in design, development and production mean a loss of market share that may never be recaptured."

Dr Papademetriou, who, not coincidentally, has worked closely with Microsoft to lobby for changes in the bills, finds the proposed fees "unreasonable" at best, "extortionary" at 30 per cent, and an unnecessary intrusion by government into corporate affairs. Last month he offered Senator Simpson's sub-committee his own proposed reforms for admitting skilled immigrants. They expand on the "points" systems used by Canada and Australia, under which potential immigrants are assessed by the assets (financial, educational and professional) they offer their new country.

The spectre of "big brother" government was also raised by another commission proposal - to create a database run by the Immigration and Naturalisation Service against which the job applications of all non-citizens would be checked to see if they were legal residents. Those familiar with the legendary inefficiency of the INS, not curable in the year that its respected commissioner Doris Meissner has been in charge, scoff at the idea that it should be entrusted with such a powerful tool. Databases are not exactly perfect: Dr Papademetriou himself was once arrested en route to a White House

appointment because a felon by the same name appeared on one used by the Secret Service. But to Congressman Smith the idea has merit. "There is simply no other way to protect American citizens and to reduce the magnet of jobs," he told his sub-committee, given that 40 per cent of the estimated 4m "undocumented" aliens in the US had simply overstayed their visas and merged into society.

His subcommittee passed the commission proposal, but only by a 17-16 margin. Congressman Bill McCollum of Florida, another Republican, went further in proposing some kind of super social security card to serve as universal identification for those in the job market or seeking benefits.

All this has produced an improbable coalition of interests against the two immigration bills. It includes not only Microsoft but small businesses uneasy about government intervention, civil libertarians of left and right and the Catholic Church concerned over family reunification. It does not at present include any prominent Republican, Democrat or independent candidate for the presidency.

Whether Microsoft wins its case or not, sadly likely to be lost in the wash are future refugees, legal residents in reduced circumstances and, too easily forgotten, the poor Mexicans among whom the fuss was supposedly all about.

Shaky pillar of the community

The Roman Catholic Church in Ireland, that bastion of Irish state and society, is in crisis. Barely a month has gone by in the past year without some revelation or allegation of priestly misconduct, or some evidence of confusion in the once-revered college of conservative bishops who rule the Church. The majority of cases have focused on child abuse, perhaps the ultimate betrayal of trust for a clergyman.

The reaction of the Church leadership has once again compounded the problem. It has been defensive about the Church as an institution, rather than showing concern for the welfare of the victims. And it has suggested by its actions that it sees itself as above the law, capable of dealing with the offences and misdemeanours of its priests outside the normal legal process.

Now, on top of its internal travails, the Catholic Church is fighting a battle against the introduction of legal divorce in Ireland, with a referendum to be held on November 24. The latest opinion poll suggests that public support is running two to one in favour of legalising second marriages, something the bishops have furiously opposed for decades.

The turmoil and scandals have called into question the influence of the Church in virtually every aspect of life in southern Irish society, and shattered the morale of its priesthood in a country that boasts more Catholic priests per head of population - one in 800 - than any other.

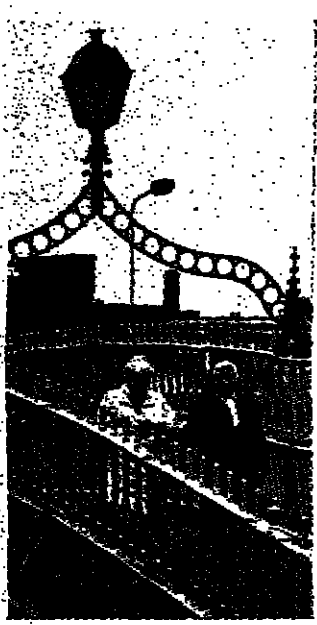
"It is a traumatic upheaval, without any doubt," says Father Gabriel Daly, an Augustinian friar and lecturer in theology at Trinity College, Dublin. As a priest, he feels affected by the series of scandals: "I feel guilt by professional association."

The problem is not so much a crisis of faith as a crisis of the Church as an institution, he says. "It is a huge shift with regard to the perception of the Church and its place in society. It has already damaged the Church as an institution very seriously." Many Catholics would welcome a shake-up in the hierarchy, he adds.

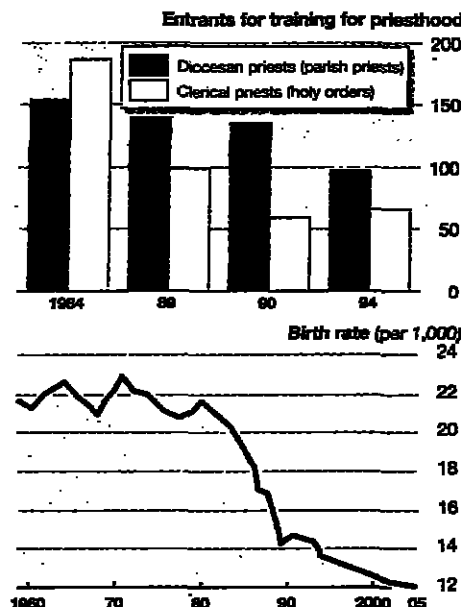
Observers of Irish society believe the Church has failed to keep pace with the social, economic and demographic changes of the past 40 years. Since the late 1950s, there has been rapid urbanisation, with a consequent decline in traditional rural society, a sharp increase in prosperity, and an opening of Irish society to the outside world - first through television and then through membership of the European Union. As wealth has risen, the

Behind the turmoil in the priesthood lie momentous changes in Irish society, say Quentin Peel and John Murray Brown

Ireland: less influenced by the Church



Harpur's Bridge, Dublin



Source: Catholic Press and Information Service, Economic and Social Research Institute

emigration of young people has dropped sharply, causing a sudden increase in the birth rate. This at first could not be contained, because of the Church's resistance to contraception.

Dr Garret Fitzgerald, the former Irish prime minister, sees such demographic changes as crucial to understanding the upheaval in Irish society. They are still working their way through the system. Since 1980, the birth rate has declined again, because of ever more available contraception, the increasing number of young women at work, and a sharp drop in marriages.

The annual number of births has dropped from 74,000 to 48,000 over the past 14 years, but there has been a big increase in births outside marriage to more than 10,000, as well as an estimated 4,000 abortions (mostly performed in Britain).

At the same time, in spite of steady economic growth, the earlier bulge in the birth rate has contributed to a stubbornly high level of long-term unemployment. Some 48 per cent of the jobless have been out of work for more than a year, and one in four for more

than three years. Ireland is in effect two economies - one increasingly prosperous and well-educated, the other unskilled and jobless.

"That is not a stable society in any sense," Dr Fitzgerald says. "There is a huge revolution taking place. Some of it is liberalisation. Some is destabilising." The Church leadership has simply failed to cope. "The Church was quite ill-equipped to deal with [the latest scandals]. They have undermined its moral authority," says Dr Fitzgerald.

The trail of disgrace goes back two years to a case involving Bishop Eamon Casey, the primate of Galway, who was revealed to have had an affair with an American divorcee. But the greatest shock came a year ago, when Uist television broadcast a documentary on the case of a paedophile priest, Fr Brendan Smyth. In spite of repeated allegations against him of child abuse, he had been allowed to continue to act as a priest in Uist and in Kerry and Cork in the south of Ireland for 30 years.

"What we are seeing today are still the reverberations of that affair," says

Mr Andy Pollak, religious affairs correspondent of the Irish Times newspaper.

"For the last year, the Church failed to understand the deep anger of devout Catholic parents, that this monster of a man was able to have access to children over a 30-year period."

Since then, there has been a series of allegations of child abuse against priests, some of them dating back 20 or 30 years. "It is very difficult to be a priest now," he says. "Cruel jokes are told in their presence. They have very low morale."

It is a measure of how much southern Irish society has changed that it now worries less about how its actions will be viewed in the north. Back in 1988, when Dr Fitzgerald called the first referendum on divorce, a strong argument for reform was the need to reassure sceptical Protestants in Northern Ireland. The Protestant community has traditionally resisted reconciliation with the south, let alone unification, because of its perception of the republic as a priest-ridden society.

Few southern Irish voters today believe the steady progress towards a secular society has anything to do with reassuring the north. It is happening because of the internal dynamics of society. In the latest opinion poll, 78 per cent said the reaction of the Northern Irish would not influence their vote, against 14 per cent who thought it might.

Dr Fitzgerald believes that Ireland is one of only two European states - the other is Germany - to redefine its national identity successfully in the latter half of the century. It has done so by abandoning its insistence on Irish unification and recognising that it can come about only with the consent of the unionist majority in the north, and by accepting the need to dilute its sovereignty in the European Union.

As a result, the country is a far more self-sufficient, self-sufficient place than it used to be. Success in other areas - from the international stardom of pop groups such as U2 and the Cranberries, to the Nobel Prize for literature for Seamus Heaney announced on Thursday - has bolstered its self-image.

A willingness to rebel against the heavy-handed leadership of the Church may be part of the same process. "It is going to be a much smaller Church," says Fr Daly. "It will be more pluralistic. The pervasive influence will gradually go. People who go to church will do so of their own free will."

Britain's pubs are changing. Quiet, back-street boozers serving beer to a few male regulars have long been out of fashion. Many of the new pubs that are taking their place are large, multipurpose leisure venues; people want a wider variety of drinks, better food, children's play areas and entertainment, including sport on satellite television.

Greenalls' offer yesterday of £480m (\$760m) for rival pub group Boddington - which will create the biggest UK pub chain independent of a brewer - may be only the first of a series of mergers as owners come to grips with fast-changing patterns in British brewing and pub going.

Transforming pubs is an expensive business. A big new pub converted from, say, a bank branch or car showroom can already cost £1m. The 15 largest pub chains - independents and brewers - are looking for a total of 250 to 350 new sites each year around the country, and the competition for property could drive up prices further.

As running a pub becomes more complex and capital-intensive, big owners are putting their faith in professional managers and relegating traditional tenants, the long-standing landlords who know all their customers, to smaller establishments.

While some of these smaller pubs are marginalised, the big owners are fighting to win market share and cut costs with large new establishments and extensive pub networks. To continue to wring deep discounts from ever bigger brewers, Greenalls reckons it has to be an even bigger buyer.

"We'll be buying 1.5m barrels [34m pints] a year," says Mr Andrew Thomas, Greenalls chairman. That is equivalent to nearly 5 per cent of UK beer production.

It is not just a question of purchasing power. Greenalls reckons it can strip out some £12m of Boddington's corporate overheads by running the extra 450 pubs alongside its own 1,920 pubs. "Deals like these put a lot of pressure on marginal pubs," said Mr John Spicer, SBC Warburg's drinks analyst.

The strategy of increasing

Pubs on the hop

Roderick Oram on the deals that are changing British drinking

BASS PUB PROFITS

	Total (£m)	Per pub (£'000)
Managed		
Turnover	940	354
Operating profit	159	60
Margin (%)	16.9	-
Tied tenanted or leased		
Turnover	138	941
Operating profit	61	42
Margin (%)	43.9	-

1 Bass sales to outlets, not retail sales by outlet for week ending September 1994 - 53 weeks. Source: SBC Warburg

the size of pubs and replacing tenants with managers will be tested by a string of pub company flotations in the next few months. Many are new businesses created from the thousands of pubs that brewers were forced to sell by the 1989 Beer Orders - these were the regulations used by the government to weaken the traditional system whereby big brewers sold beer through pubs they owned.

First to the market in the next few weeks will be Enterprise Inns with 466 pubs. Then come Pubmaster, the 1,750 pubs of Brent Walker, the financially strapped leisure group, Magic Pub Company with 290, and Tom Cobleigh with about 90. They will have to convince investors they have sufficient economies of scale, financial resources and management skill to flourish.

The road to flotation can be difficult, as Century Inns found last February. It aborted its market debut when the Office of Fair Trading launched an investigation into

the industry's wholesale beer pricing. Potential investors had already noticed that a large chunk of Century's profits came from buying beer cheaply from brewers and selling it to its tenants. Was Century big enough to continue to get large discounts from brewers if the market tightened or if wholesale pricing regimes were changed? In the event, the OFT gave the industry a clean bill of health. But the size question remains.

"We buy 100,000 barrels of beer a year, putting us in the top 10 or 15 purchasers," says Mr Alistair Arkley, Century's chief executive. "We're big enough to get a decent deal and I'm not sure the brewers have much more to give Greenalls, even with Boddingtons."

Nor is Mr Arkley convinced by the argument that tenancies are becoming an unattractive business proposition for a pub owner. "They throw off cash and they are simple to run. A tenant can make a good living and the customer gets treated well by somebody who is motivated."

This argument is reinforced by the accompanying figures about Bass, one of Britain's largest owners with some 4,000 pubs, which show high profit margins from tenancies. But Bass, already close to the government ceiling on the number of pubs it can own, has like other national brewers moved to bigger houses and sold off smaller ones; and because of the operational demands of large pubs, big brewers have favoured managers over tenants.

And the big pub deals and changing customer demands, however, there is still room for the traditional relationship. Ben Viller, tenant of the Wheatsheaf, Newark, in the east Midlands, says he earns a decent living and believes tenancies can continue to work as a partnership between brewer and landlord.

When Mansfield Brewery, which owns his pub, wanted to install a kitchen as part of a modernisation programme, he resisted fiercely. He says he knows better than the brewery what his customers want. "There's nothing worse than greasy lips for killing the taste of beer," he says.

Priority for EU democracy

From Mr Giles Conway-Gordon. Sir, Your editorial "Laws made in secret" (October 3) commented on the secretive and essentially undemocratic nature of the European Community legislative process.

Some while ago you published an article by David Williamson, secretary-general of the European Commission (Personal View, December 15 1994), praising its achievements, openness and cost-effectiveness. One of his claims (presumably unironic) was that with the new powers granted to the European parliament the system was

"now genuinely democratic".

If this is so then the parliament should perhaps, as a priority, review for ratification, amendment, or repeal the whole body of "legislation" imposed on the EU's citizens since inception. This would provide some semblance of the genuine democratic authority so lacking, as your editorial made clear, in the conduct of the EU's affairs and so urgently needed if it is to command real public support. Giles Conway-Gordon, 1285 Avenue of the Americas, 18th floor, New York, NY 10019, US

Tender in Portuguese, please

From Mr Euzi Topf. Sir, I write in reference to a recent tender for the State of Parana, Brazil, which appeared in the FT on October 3. I am a native of that state and watch with interest and pride how we are gradually building up our infrastructure with outside help.

I therefore feel more than a little disappointed that when my government issues a tender

(I assume in the official language, Portuguese), someone has assumed that all Latin Americans converse in Spanish. I hold nothing against our Spanish-speaking neighbours other than I would like to understand my own state's operations. Euzi Topf, 53 Japhson Road, Forest Gate, London E7 8NA, UK

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-673 5938 (please set fax to 'line'). Translation may be available for letters written in the main international languages.

Put stress on prevention of financial crises

From Dr S. Griffith-Jones.

Sir, Robert Chote's article "Forging a bankruptcy code for countries" (October 6) focuses on better ways of managing a "Mexico-style crisis".

I am surprised, in the international policy debate, how much more attention has been given to crisis management and how relatively little focus has been placed on crisis pre-

vention. This is far less costly for all involved than the necessarily difficult and disruptive management of crises.

Senior financial authorities meeting in Washington should also consider the option of greater disclosure and/or some additional regulatory restrictions on investors, so as to help avoid very large and easily reversible surges of capital

inflows to emerging markets. These could relate in particular to flows to countries with very large current account deficits.

Though discouragement of excessive flows may pose some problems, it seems far superior to either a world of frequent and costly currency crises and/or to a world where ex-post restrictions on capital outflows

are imposed, as the bankruptcy code ideas suggest.

In international capital flows - as in medicine - prevention is far more desirable, efficient and cheaper than curing avoidable illnesses! Stephany Griffith-Jones, Fellow, Institute of Development Studies, University of Sussex, Brighton BN1 9RE, UK

In portfolio performance look to the record of value managers

From Mr David Morris.

Sir, Barry Riley's informative article ("The trouble for Harry in modelling the All-Share", October 4) ends with Mr Harry Markowitz's observation that "just 200 basis points of excess return would rank the Cudos model among the best UK active managers".

The Cudos model takes a value approach to stock selec-

tion. Therefore, it would make sense to compare its performance, not to all active managers, but to other value managers.

Having researched the strategies of 250 UK equity portfolios over the past nine years, we have identified 69 that use virtually the same value criteria as Cudos.

The best value managers are

those with top quartile performance compared with the All-Share. For the three years ending June 1995, the average out-performance of the 17 top quartile value portfolios in our database was 385 basis points. The worst was 200 basis points and the best was 635.

It is a truism that 200 excess basis points would rank any equity manager among the

best active managers in the UK. Over the past three years however, much more than 200 excess basis points would have been required to rank among the best value managers.

David Morris, managing director, Johnson Fry Pension Consultancy, 20 Regent Street, London SW1Y 4PZ, UK

Revival of the 'Chatham Chest' would ensure Navy retains Chatham House

From Commander Roger Paine.

Sir, The magnificent reproduction of Canaletto's painting of Greenwich Hospital (Weekend Property supplement: "Up for grabs - a piece of England's glory", September 30) and the report that the site is now "up for grabs" reminds me that just over 400 years ago Sir John Hawkins, who was then treasurer of the Tudor Navy, founded the "Chatham Chest".

This was for the relief of sick and wounded sailors and from 1825 onwards every man was ordered to contribute sixpence a month from his wages to this early charitable fund.

The coins were dropped through a tiny hole into the chest which was secured by four padlocks the keys of which were, reputedly, held by four different admirals in order to prevent clandestine embezzlement.

In 1803 the chest was renamed the "Chatham Chest" and the accrued contents combined with the funds

of the Greenwich Hospital to maintain the buildings which now comprise the RN College, Greenwich. The original chest can still be seen at the nearby National Maritime Museum.

As the Greenwich College site is now on the open market at an annual rental of £400,000 it might be appropriate to re-establish proper use of the chest and to obtain mandatory contributions from today's serving officers and men.

By conservative estimates of inflation sixpence (2½p) must be worth at least £10 so that one month's contributions of this sum from everyone in the 1995 navy would easily pay the first year's rent in advance and ensure the navy remains at this historic location.

Messrs Knight, Frank & Rutley as estate agents responsible for finding a suitable tenant could be custodians of the padlock keys.

Roger Paine, RN, 4 Yeats Close, Elliot Park, London SE13 7EG, UK

CURRENCIES AND MONEY

MARKETS REPORT

Franc sinks

By Philip Gawth

Foreign exchanges had a hectic day yesterday with a sharp fall in the French franc forcing the Bank of France to take preventive measures to protect the currency.

The central bank closed its 5-10 day lending window after the franc had fallen more than five centimes on the day against the D-Mark. By making it more difficult, and expensive, for speculators to borrow the currency, the BoF managed to stop the rot, with the franc closing in London at FFfr5.514, after earlier falling as low as FFfr5.522, compared to Thursday's close of FFfr4.468.

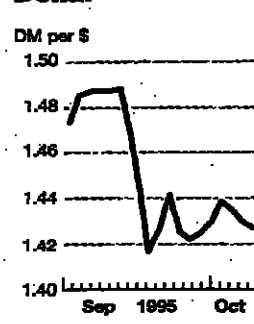
The trigger for selling was renewed rumours that Mr Alain Juppé, the prime minister, would resign, although the main reason for franc weakness is the market's belief that France will not be able to meet the Maastricht convergence criteria without a weaker currency.

The franc's travails appeared to help the dollar, with traders reasoning that the Bundesbank may be forced to sell D-Marks to prevent further franc weakness, in the process helping the US currency.

It was also helped by some verbal support from Mr Robert Rubin, the US treasury secretary, who said in Washington that he "strongly believed" in a stronger dollar.

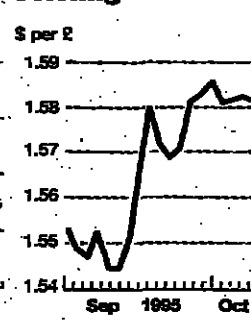
The dollar had earlier had a fairly volatile day as it tracked the gyrations in the bond market. It closed at DM1.427 and ¥100.75, after earlier touching lows of DM1.4130 and ¥99.80 against the D-Mark and the yen. The ECU also remained in

Dollar

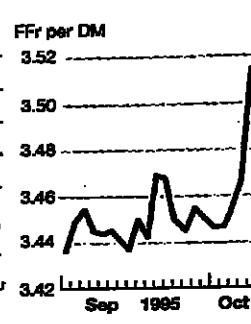


Source: FT Data

Sterling



D-Mark



the frame as a symptom of market unease about the outlook for monetary union in Europe. It finished at DM1.831, from DM1.835, after earlier slipping as low as DM1.828. The discount between the open market value of the ECU and its theoretical level since the European currency crisis of September 1992.

Sterling took its lead from moves elsewhere in the market, finishing at DM2.259 and \$1.5809, from DM2.2631 and \$1.5825.

Markets have long been sceptical about the Chirac government's commitment to the policy of *franc fort*. Initially it was reasoned that Mr Chirac's pledge to take decisive action to address unemployment was incompatible with *franc fort*. More recently, the argument has shifted with traders arguing that France can only qualify for participation in a single European currency if growth is stimulated through a weaker franc and lower interest rates.

Whatever the reasoning, the market yesterday smelt blood

and there was a strong sense of incipient crisis. Mr David Cocker, economist at Chemical Bank in London, described the BoF's response as "opening the doors to the battle it envisages itself having with the foreign exchange markets".

Traders said the franc's fall was the product of hedge fund selling, as well as sales by French investors. There were rumours in the market that hedge funds managed by Mr George Soros had purchased options to buy D-Marks at FFfr3.50 and FFfr3.60, and that

this had prompted D-Mark buying in the spot market by those who had written these options. A symptom of the turmoil in the market was the performance of PIBOR interest rate futures. The December contract had at one stage fallen by over 70 basis points.

But Mr Tony Norfield, UK treasury economist at AIB AMRO in London said the relative stability in the longer-dated contracts was evidence that markets considered the current volatility to be a short-term phenomenon.

ROUND SPOT FORWARD AGAINST THE POUND

Oct 6	Closing mid-point	Change on day	Oct 6	Closing mid-point	Change on day	Oct 6	Closing mid-point	Change on day	Oct 6	Closing mid-point	Change on day
Europe	(Sch)	15.8723	-0.0033	631	615	15.9155	15.7805	15.8419	2.3	15.7833	2.2
Austria	(Sch)	46.4612	-0.0091	222	002	46.5010	46.4440	46.3882	2.5	46.4172	2.2
Belgium	(Dfr)	46.4612	-0.0091	222	002	46.5010	46.4440	46.3882	2.5	46.4172	2.2
Denmark	(DKr)	8.7753	-0.0107	715	781	8.7833	8.7348	8.7870	1.0	8.7511	1.1
Finland	(Fmk)	6.8170	-0.0029	116	221	6.8330	6.7720	6.8128	0.3	6.8043	0.7
France	(Ffr)	7.9278	-0.0075	251	305	7.9527	7.8953	7.9225	0.8	7.9112	0.9
Germany	(DM)	2.2558	-0.0072	547	570	2.2805	2.2423	2.2508	2.7	2.2414	2.6
Greece	(Dr)	370.870	-0.0412	808	132	371.781	368.855	-	-	-	-
Ireland	(Ir£)	0.9818	-0.0004	808	824	0.9843	0.9804	0.9806	1.0	0.9795	0.5
Italy	(Lfr)	256.79	-0.0021	222	002	256.870	256.040	256.040	-3.4	257.84	-3.5
Luxembourg	(Lfr)	46.4612	-0.0091	222	002	46.5010	46.4440	46.3882	2.5	46.4172	2.2
Netherlands	(Dfl)	2.3304	-0.0035	293	315	2.3317	2.3136	2.334	3.1	2.3153	2.8
Norway	(Nkr)	9.9287	-0.0108	557	738	9.9888	9.9140	9.9573	1.5	9.9364	1.4
Portugal	(Esc)	237.333	-0.0033	201	465	238.588	236.900	237.673	-2.7	239.093	-3.0
Spain	(Pta)	165.830	-0.125	520	740	166.089	165.140	166.131	-3.1	167.07	-2.9
Sweden	(Skr)	11.1122	-0.0014	046	199	11.1385	11.0688	11.144	-0.2	11.1188	-0.2
Switzerland	(Sfr)	1.8156	-0.0015	145	167	1.8192	1.8011	1.8086	4.7	1.7927	4.0
UK	(£)	-	-	-	-	-	-	-	-	-	-
ECU	(£)	1.2315	-0.0012	300	320	1.2347	1.2240	1.2304	1.1	1.2282	1.0
SDNY	(£)	-	-	-	-	-	-	-	-	-	-
Americas	(Pso)	1.5900	-0.0023	797	803	1.5870	1.5789	-	-	-	-
Argentina	(Pso)	1.5900	-0.0023	797	803	1.5870	1.5789	-	-	-	-
Brazil	(R)	1.5150	-0.0018	147	153	1.5218	1.5140	-	-	-	-
Canada	(Cdn)	2.1056	-0.0002	048	068	2.1054	2.1042	2.1047	0.5	2.1044	0.2
Mexico	(New Pso)	10.3309	-0.0029	134	483	10.3617	10.3125	-	-	-	-
USA	(Pso)	1.5900	-0.0023	797	803	1.5870	1.5789	1.5797	0.9	1.5785	0.8
Pacific/Middle East/Africa	(Sfr)	1.8156	-0.0015	145	167	1.8192	1.8011	1.8086	4.7	1.7927	4.0
Australia	(A\$)	0.6957	-0.0003	758	777	0.6975	0.6950	0.6950	1.0	0.6935	0.9
Hong Kong	(HK\$)	12.2238	-0.0108	212	256	12.2788	12.2198	12.2204	0.3	12.2308	0.5
India	(Rs)	33.5906	-0.0481	685	151	33.6170	33.5640	-	-	-	-
Israel	(Sh)	4.7586	-0.0035	510	602	4.7648	4.7510	-	-	-	-
Japan	(¥)	159.271	-0.0025	184	375	159.440	157.810	158.558	6.8	156.746	6.5
Malaysia	(M\$)	4.0099	-0.0029	084	113	4.0232	4.0081	-	-	-	-
New Zealand	(NZ\$)	2.3871	-0.0007	858	884	2.3890	2.3849	2.3831	-3.0	2.4023	-2.5
Philippines	(Pso)	40.9282	-0.0744	901	653	40.9700	40.8918	-	-	-	-
Singapore	(S\$)	3.5250	-0.0004	277	302	3.5255	3.5205	3.5238	10	3.5210	7.7
South Africa	(R)	5.7679	-0.0009	858	884	5.7833	5.7833	-	-	-	-
South Korea	(Won)	1215.04	-0.23	489	599	1220.38	1214.32	-	-	-	-
Taiwan	(N\$)	25.528	-0.118	882	941	25.687	25.4908	-	-	-	-
Thailand	(Bt)	39.7031	-0.0572	889	172	39.8430	39.6820	-	-	-	-

† Rates for Oct 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Starting rates, calculated by the Bank of England, based on 1990 = 100, index rounded to 1/100th. Bid, Offer and Mid-point in both the Dollar Spot and Dollar Forward tables derived from THE WIRETELETYPE CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 6	Closing mid-point	Change on day	Oct 6	Closing mid-point	Change on day	Oct 6	Closing mid-point	Change on day	Oct 6	Closing mid-point	Change on day
Europe	(Sch)	10.0404	-0.0022	361	446	10.0430	9.9745	10.0288	1.5	9.9892	1.5
Austria	(Sch)	29.3800	-0.0025	700	100	29.4200	29.1480	29.348	1.7	29.27	1.6
Belgium	(Dfr)	5.8510	-0.0001	498	525	5.8580	5.8055	5.8518	-0.2	5.8475	0.3
Denmark	(DKr)	4.3122	-0.0176	285	148	4.3198	4.2745	4.3117	0.1	4.3107	0.1
Finland	(Fmk)	5.0149	-0.0051	140	138	5.0175	5.0048	5.0102	0.4	5.0078	0.3
France	(Ffr)	1.4270	-0.0031	265	275	1.4300	1.4135	1.4248	1.9	1.4204	1.8
Germany	(DM)	2.2465	-0.0056	600	730	2.2510	2.2350	2.2458	-0.8	2.2389	-0.8
Greece	(Dr)	1.9105	-0.0001	251	115	1.9105	1.8980	1.9107	-0.1	1.9107	-0.4
Ireland	(Ir£)	1.61735	-0.0001	850	100	1.61735	1.6000	1.624	-1.0	1.6235	-1.0
Italy	(Lfr)	2.3300	-0.0025	700	100	2.3300	2.3140	2.3348	1.7	2.327	1.6
Luxembourg	(Dfl)	1.5007	-0.0005	002	011	1.5015	1.4950	1.506	1.9	1.503	1.7
Netherlands	(Dfl)	1.4855	-0.0007	430	430	1.4855	1.4780	1.483	0.7	1.4835	0.6
Norway	(Nkr)	1.5130	-0.0001	190	190	1.5130	1.5055	1.5185	-0.7	1.5185	-0.7
Portugal	(Esc)	1.23750	-0.0005	700	800	1.23750	1.2310	1.2413	-3.7	1.2413	-3.7
Spain	(Pta)	7.0655	-0.0051	255	330	7.0655	7.0488	7.0655	-3.1	7.0655	-3.2
Sweden	(Skr)	1.1485	-0.0007	430	430	1.1485	1.1448	1.1485	3.4	1.1485	3.4
Switzerland	(Sfr)	1.5809	-0.0016	808	811	1.5809	1.5797	1.5797	0.9	1.5795	0.6
UK	(£)	-	-	-	-	-	-	-	-	-	-
ECU	(£)	1.2388	-0.0001	854	841	1.2388	1.2381	1.2384	-0.4	1.2384	-0.3
SDNY	(£)	-	-	-	-	-	-	-	-	-	-
Americas	(Pso)	0.9895	-0.0004	994	995	0.9895	0.9894	-	-	-	-
Argentina	(Pso)	0.9895	-0.0004	994	995	0.9895	0.9894	-	-	-	-
Brazil	(R)	0.9895	-0.0004	994	995	0.9895	0.9894	-	-	-	-
Canada	(Cdn)	1.3320	-0.0001	317	325	1.3325	1.3315	1.3325	-0.4	1.3325	-0.5
Mexico	(New Pso)	6.5595	-0.0020	120	120	6.5595	6.5295	6.5595	-0.3	6.5495	-0.3
USA	(Pso)	-	-	-	-	-	-	-	-	-	-
Pacific/Middle East/Africa	(Sfr)	1.8156	-0.0015	145	167	1.8192	1.8011	1.8086	4.7	1.7927	4.0
Australia	(A\$)	1.2135	-0.0001	122	141	1.2144	1.2089	1.2153	-1.6	1.2189	-1.6
Hong Kong	(HK\$)	7.7325	-0.0012	300	330	7.7333	7.7317	7.734	-0.2	7.734	-0.2
India	(Rs)	33.5906	-0.0005	600	600	33.5906	33.5820	34.05	-5.3	34.355	-5.7
Israel	(Sh)	3.0008	-0.0009	058	107	3.0117	2.9988	-	-	-	-
Japan	(¥)	100.750	-0.0025	184	375	100.800	99.850	100.255	5.8	99.335	5.8
Malaysia	(M\$)	2.5353	-0.0001	300	300	2.5353	2.5353	2.5353	0.0	2.5353	0.0
New Zealand	(NZ\$)	1.5099	-0.0004	084	108	1.5107	1.5044	1.514	-3.3	1.5215	-3.1
Philippines	(Pso)	25.8000	-0.002	700	100	25.9100	25.8700	25.9100	-0.2	25.9100	-0.2
Singapore	(S\$)	3.7500	-0.0001	300	300	3.7500	3.7500	3.7500	0.0	3.7500	0.0
South Africa	(R)	5.8913	-0.0001	805	820	5.8913	5.8913	5.8913	0.0	5.8913	0.0
South Korea	(Won)	788.000	-0.005	500	700	788.000	788.000	771.5	-4.7	771.5	-4.7
Taiwan	(N\$)	25.5280	-0.010	882	941	25.6100	25.7700	25.6100	-0.8	25.6100	-0.8
Thailand	(Bt)	39.7031	-0.0572	889	172	39.8430	39.6820	39.8430	-2.4	39.8430	-2.4

† SDNY rate per £ for Oct 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan normal index. Oct 5. Base average 1980=100.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 6	Oct 6	Oct 6	Oct 6	Oct 6	Oct 6	Oct 6	Oct 6	Oct 6	Oct 6	Oct 6	Oct 6
Belgium	(Bfr)	100	18.88	17.08	4.856	2.114	5504	5.446	21.46	510.8	421.0
Denmark	(DKr)	52.956	10	9.035	2.571	1.119	2414	2.893	11.36	270.4	222.8
France	(Ffr)	56.80	11.07	10	2.848	1.288	3225	3.191	12.59	299.3	248.7
Germany	(DM)	66.80	3.820	3.514	1	0.433	1150	1.121	64.18	105.2	85.70
Ireland	(Ir£)	47.31	8.936	8.073	2.297	1	2604	2.576	10.15	241.6	199.2
Italy	(Lfr)	1.817	0.343	0.100	0.088	0.036	100	0.089	0.380	9.280	7.650

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

AUTHORISED UNIT TRUSTS

ABN Unit Trust Managers Ltd (100000)									
ABN Global Equity	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Bond	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Income	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Growth	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Dividend	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Real Estate	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Hedge	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Commodity	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Alternative	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Multi-Asset	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Sustainable	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Impact	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global ESG	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Carbon	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Water	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Energy	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Healthcare	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Technology	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Financial	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Consumer	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Industrial	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Infrastructure	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Environmental	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Social	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Governance	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Human Rights	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Anti-Corruption	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Transparency	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Accountability	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Integrity	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Ethics	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Values	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Principles	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Standards	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Best Practices	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Innovation	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Creativity	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Imagination	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Inspiration	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Motivation	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Determination	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Perseverance	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Resilience	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Adaptability	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Flexibility	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Agility	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Quickness	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Swiftness	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Promptness	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Timeliness	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Accuracy	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Precision	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Exactness	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Correctness	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Rightness	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Appropriateness	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Suitability	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Feasibility	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Viability	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Possibility	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Probability	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Likelihood	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Chance	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Opportunity	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Potential	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Capacity	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Capability	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Competence	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Skill	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Expertise	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Knowledge	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Wisdom	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Understanding	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Insight	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Perception	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Sensation	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Feeling	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Emotion	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Sentiment	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Mood	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Atmosphere	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Environment	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Context	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Background	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Setting	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Situation	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Circumstance	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Condition	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global State	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Status	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Position	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Location	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Address	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Contact	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Connection	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Relationship	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Association	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Affiliation	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Membership	100.0	100.0	1.00	1.00	5.0	10.0	15.0	20.0	
ABN Global Participation									

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

[illegible]

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Oct 6 / US\$)

(4 pm close)

Dow Jones

S&P 500

NASDAQ

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

NYSE

AMEX

LONDON STOCK EXCHANGE

MARKET REPORT

Equities under heavy fire ahead of G-7 meeting

By Steve Thompson, UK Stock Market Editor

The four-day advance by UK equities came to a grinding halt yesterday as European stock markets reacted violently to an early sell-off in bond markets. The weakness in bonds, bonds and gilts stemmed from another bout of extreme nervousness in foreign exchange markets, where the D-mark initially moved higher against the dollar and the French franc.

By the end of the session the turbulence in currencies and on the Paris bourse had mostly subsided, but by then the damage had been done.

London's FT-SE 100 index, which earlier in the week had begun to look as if it was about to make a strong advance towards its all-time high point, reached in the middle of last month, a net 17.0 lower at 3,526.5. The FT-SE Mid 250 index, meanwhile, was also on the retreat, ending the session 12.3 off at 3,979.0.

The rally in London mirrored a rapid recovery by Wall Street, which had been troubled at the outset by the nervousness surrounding currencies and ahead of the week-end G-7 meeting in Washington.

Wall Street had initially moved sharply lower in the wake of the US employment report for September, which showed non-farm payrolls for

the month up 129,000, well below consensus estimates of around 150,000, and which had raised fears that the US economy was slowing faster than most forecasters had expected.

However, a gradual improvement in the dollar and in US treasury bonds triggered a sharp upward move by the Dow Jones Industrial Average which, having dropped around 20 points shortly after the opening, was trading some 10 points higher after London closed.

London opened the session virtually level, but helped by the latest fallow bid, the 500m-plus agreed offer from Greenalls for Boddington Group.

With no follow-through in a market being affected by the sustained weakness of other leading European bourses, London began to attract intermittent bouts of selling pressure and was also said to have been unsettled by talk of a trading programme.

At its worst, just before Wall Street opened, the FT-SE 100 was down 23 points, before it embarked on its recovery trend.

Marketmakers were unhappy with the performance of the leading stocks and forecast a turbulent week ahead. The Conservative Party Conference gets underway in Blackpool on Monday morning and the market will also have to negoti-

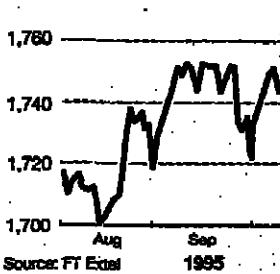
ate a long list of important economic news both here and across the Atlantic.

"What we really need to get the market up and running again is a big FT-SE bid," said one weary marketmaker. Others insisted, however, that the utilities areas would provide continuing excitement for the market next week.

Of the remaining recs East Midlands and Yorkshire are seen as prime targets in a shrinking electricity sector.

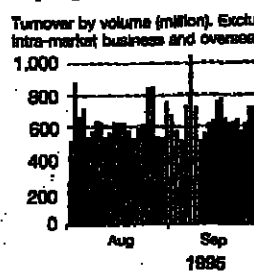
Turnover reached 666m shares, non-FT-SE stocks accounting for 62 per cent of that figure. Customer business on Thursday was worth £1.94m.

FT-SE-A All-Share Index



Source: FT Data

Equity shares traded



Turnover by volume (million). Excluding inter-market business and overseas turnover

Indices and ratios

FT-SE Mid 250	3979.0	-12.3
FT-SE-A 350	1783.4	-8.1
FT-SE-A All-Share	1743.38	-7.37
FT-SE-A All-Share yield	3.83	(3.81)
FT Ordinary Index	2612.9	-12.5
FT-SE-A Non Fin p/e	17.07	(17.14)
FT-SE 100 P/E Dec	3551.0	-19.0
10 yr Gilt yield	8.05	(8.04)
Long gill/equity yld ratio:	2.19	(2.19)

FT-SE 100 index

Closing index for Oct 6	3526.5
Change over week	+18.3
Oct 5	3544.4
Oct 4	3544.1
Oct 3	3524.2
Oct 2	3520.2
High	3555.3
Low	3502.7
Three-day high and low for week	

TRADING VOLUME IN MAJOR STOCKS

Stk	Vol	Closing	Days
1000	price	change	
AD&A Group	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1

EQUITY FUTURES AND OPTIONS TRADING

Stk	Vol	Closing	Days
1000	price	change	
AD&A Group	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1
Admiral	1,000	120	-1

Oil price worries hit leaders

Oil price worries took a broad swipe at the sector, depressing share prices of the integrated majors and exploration groups. Brent Blend showed signs of stabilising yesterday, but a bearish note from SGST looked to pave the way for a nervous run-up to the third quarter results season. The big US oil groups start reporting on October 23 while BP and Shell weigh in early next month.

NEW HIGHS AND LOWS FOR 1995

NEW HIGHS (TOP)	NEW LOWS (BOT)
AD&A Group	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral
Admiral	Admiral

Oil price worries hit leaders

Oil price worries took a broad swipe at the sector, depressing share prices of the integrated majors and exploration groups. Brent Blend showed signs of stabilising yesterday, but a bearish note from SGST looked to pave the way for a nervous run-up to the third quarter results season. The big US oil groups start reporting on October 23 while BP and Shell weigh in early next month.

Oil price worries hit leaders

Oil price worries took a broad swipe at the sector, depressing share prices of the integrated majors and exploration groups. Brent Blend showed signs of stabilising yesterday, but a bearish note from SGST looked to pave the way for a nervous run-up to the third quarter results season. The big US oil groups start reporting on October 23 while BP and Shell weigh in early next month.

Oil price worries hit leaders

Oil price worries took a broad swipe at the sector, depressing share prices of the integrated majors and exploration groups. Brent Blend showed signs of stabilising yesterday, but a bearish note from SGST looked to pave the way for a nervous run-up to the third quarter results season. The big US oil groups start reporting on October 23 while BP and Shell weigh in early next month.

FT-SE Actuaries Share Indices

FT-SE 100	FT-SE Mid 250	FT-SE-A 350	FT-SE-A All-Share
3526.5	3979.0	1743.38	1743.38
3544.4	3992.5	1783.4	1783.4
3544.1	3979.0	1743.38	1743.38
3524.2	3979.0	1743.38	1743.38
3520.2	3979.0	1743.38	1743.38
3555.3	3979.0	1743.38	1743.38
3502.7	3979.0	1743.38	1743.38

FT-SE Actuaries Share Indices

FT-SE 100	FT-SE Mid 250	FT-SE-A 350	FT-SE-A All-Share
3526.5	3979.0	1743.38	1743.38
3544.4	3992.5	1783.4	1783.4
3544.1	3979.0	1743.38	1743.38
3524.2	3979.0	1743.38	1743.38
3520.2	3979.0	1743.38	1743.38
3555.3	3979.0	1743.38	1743.38
3502.7	3979.0	1743.38	1743.38

FT-SE Actuaries Share Indices

FT-SE 100	FT-SE Mid 250	FT-SE-A 350	FT-SE-A All-Share
3526.5	3979.0	1743.38	1743.38
3544.4	3992.5	1783.4	1783.4
3544.1	3979.0	1743.38	1743.38
3524.2	3979.0	1743.38	1743.38
3520.2	3979.0	1743.38	1743.38
3555.3	3979.0	1743.38	1743.38
3502.7	3979.0	1743.38	1743.38

FT-SE Actuaries Share Indices

FT-SE 100	FT-SE Mid 250	FT-SE-A 350	FT-SE-A All-Share
3526.5	3979.0	1743.38	1743.38
3544.4	3992.5	1783.4	1783.4
3544.1	3979.0	1743.38	1743.38
3524.2	3979.0	1743.38	1743.38
3520.2	3979.0	1743.38	1743.38
3555.3	3979.0	1743.38	1743.38
3502.7	3979.0	1743.38	1743.38

FT-SE Actuaries Share Indices

FT-SE 100	FT-SE Mid 250	FT-SE-A 350	FT-SE-A All-Share
3526.5	3979.0	1743.38	1743.38
3544.4	3992.5	1783.4	1783.4
3544.1	3979.0	1743.38	1743.38
3524.2	3979.0	1743.38	1743.38
3520.2	3979.0	1743.38	1743.38
3555.3	3979.0	1743.38	1743.38
3502.7	3979.0	1743.38	1743.38

FT-SE Actuaries Share Indices

FT-SE 100	FT-SE Mid 250	FT-SE-A 350	FT-SE-A All-Share
3526.5	3979.0	1743.38	1743.38
3544.4	3992.5	1783.4	1783.4
3544.1	3979.0	1743.38	1743.38
3524.2	3979.0	1743.38	1743.38
3520.2	3979.0	1743.38	1743.38
3555.3	3979.0	1743.38	1743.38
3502.7	3979.0	1743.38	1743.38

FT-SE Actuaries Share Indices

FT-SE 100	FT-SE Mid 250	FT-SE-A 350	FT-SE-A All-Share
3526.5	3979.0	1743.38	1743.38
3544.4	3992.5	1783.4	1783.4
3544.1	3979.0	1743.38	1743.38
3524.2	3979.0	1743.38	1743.38
3520.2	3979.0	1743.38	1743.38
3555.3	3979.0	1743.38	1743.38
3502.7	3979.0	1743.38	1743.38

ABN - Cont

[illegible]

Guide To
Tangerine
Tangerine—Wheat.

GUIDE TO

Prices for the London
Financial Times
Company classifications
Share indices.

Closing mid-price
lowers are based on
the previous day's
closing price.

Where clocks are
indicated after the
symbol.

Symbols referring
guide to yields are
on Monday.

Market capitalization
quoted.

Earnings based in
pence.

Price/earnings ratio
where possible, a
range.

Yields are based on
20 per cent annuity.

Estimated Net Asset
price per share.
Paid to the
charges at per year
dilution occurs.

☐ indicates
where the
shares are
traded.

[illegible]

Call 0171 87
Cityline.
For readers
+44 in place

ANIXTER
Global Provider of
Structured Networking Solutions
Tel: 01753 686884

FINANCIAL TIMES

Weekend October 7/October 8 1995

BOWENS A WORLD LEADER
INTERNATIONAL IN PHOTOGRAPHIC
LIGHTING
WOLSELEY

Belgian court requests permission to indict Claes on corruption charges

Nato chief faces pressure to quit

By Emma Tucker and Caroline Southey in Brussels

Mr Willy Claes, the secretary-general of Nato, was expected to come under new pressure last night to resign after Belgium's highest court requested permission from parliament to indict him on corruption charges.

The news could unsettle the 16-nation defence alliance which is at the centre of attempts to negotiate a peace settlement in Bosnia.

Mr Claes was attending a meeting of Nato defence ministers in Williamsburg in the US yesterday on the Bosnia crisis.

The public prosecutor in Belgium wants to charge Mr Claes in connection with a political scandal involving kickbacks for military contracts, Belgium's highest court announced.



Claes: fresh resignation call

The public prosecutor will show his evidence to a special parliamentary committee on Monday, which will decide whether Mr Claes should face the

charges of bribery which implicate him in the so-called Agusta scandal.

This centres on allegations that the Italian defence manufacturer offered bribes to Socialist politicians to secure a government contract for 46 helicopters.

Mr Claes, Belgium's economic affairs minister at the time Agusta sold the helicopters to the Belgian army, was one of two ministers to sign the contract.

Under Belgian law, ministers and former ministers can only be prosecuted with the permission of parliament. If parliament gives the go-ahead then the pressure on Mr Claes to resign could become overwhelming. A decision is likely before the end of next week.

A Nato spokesman said last night there was no comment from the alliance. Officially, Nato

has always said that the investigation involving Mr Claes was a domestic Belgian affair and had nothing to do with his role as head of Nato.

But Nato members were divided in their support for Mr Claes earlier this year when he was first implicated in the affair. The US offered the secretary-general unconditional support, while Denmark and the Netherlands believed he should step down until the affair had been cleared up.

Mr Claes has always maintained his innocence, but has admitted discussing the matter of the illegal payments with the treasurer of the Socialist party.

The scandal has already led to the resignation of four Belgian ministers, including Mr Frank Vandenbroucke, who was foreign minister, earlier this year.

Ritz sold to Barclay twins for \$120m

By Tim Burt and David Wighton

The Ritz, the historic London hotel patronised by royalty and used as a wartime refuge for foreign governments, was yesterday sold to David and Frederick Barclay, the reclusive UK property tycoons, for \$76m (\$120m).

The twins, who own The European newspaper and other hotels in London, Monaco and New York, have acquired the famous hotel from Trafalgar House, the troubled industrial conglomerate.

A spokesman for the Barclays said the deal fulfilled a 30-year ambition to own the Ritz. It was unclear, however, whether they would honour a management contract signed between Trafalgar and the Mandarin Orient

Hotel Group, which has been running the Ritz since May last year. "They've been successful running other businesses and they will manage the Ritz their way," the spokesman added.

The hotel was the main venue for London's café society, before hosting refugee royal families during the second world war. In more recent years, it has hosted celebrities such as the Rolling Stones and Andy Warhol as regular guests.

For Trafalgar, which in 1976 paid \$2.75m for the Ritz, the hotel represented a non-core business and its disposal marked the group's withdrawal from the sector after almost 20 years.

In 1993, Trafalgar wrote down the Ritz's value in its balance

sheet to \$80m, so the sale will generate a profit of \$15m, helping to shore up the group's deteriorating finances. It has already sold its other hotels, including the Stafford and Dukes in London.

Although the Ritz made operating profits of \$3.76m in the year to September 30, its contribution has failed to offset mounting losses elsewhere at Trafalgar.

The group is expected to report heavy losses for the year ending this month after an interim loss of \$48m.

Analysts believe a large outflow of cash would have left Trafalgar with borrowings of more than \$200m before taking the Ritz proceeds into account.

There was speculation yesterday that by strengthening the

balance sheet, the sale might allow Trafalgar to write down the value of its Cunard cruise line. The group is currently conducting a strategic review of Cunard, expected to be completed later this year.

Funds raised by the Ritz disposal may also reduce the risk that Trafalgar will pass the dividend on its convertible preference shares, which would save it \$26m. The preference shares rose 3p to 51½p while the ordinary shares added 1p to 31p in relatively heavy trading.

Reclusive twins' privacy their most valuable asset, Page 6
Impeccable connections given a premium rating, Page 6
See Lex

Brussels agrees to extend ban on export of cheap EU drugs

By Motoko Rich in London, Emma Tucker in Brussels and Judy Dempsey in Berlin

The European Commission bowed to pressure from the pharmaceutical industry yesterday and extended until the end of the year a ban on the export of lower-priced Spanish and Portuguese drugs to other EU countries.

Responding to appeals from the French and German governments, the Commission also said it would consider further possible protection for individual EU states which asked for safeguards. Such countries would have to prove cheap imports from Spain and Portugal would cause "grave damage" to their domestic pharmaceutical industries.

Northern European countries fear that if the bans are lifted, wholesalers will buy drugs in the Iberian countries, where prices are cheaper, and import them to the northern countries where they can usually be sold at higher prices.

The import restrictions date back to the accession of Spain and Portugal to the EU in 1985, when the two countries were forbidden to export drugs to other EU states because they lacked adequate patent laws. The bans affected both drugs made in Spain and Portugal or previously imported into those countries.

Although both states have since passed patent laws, the Commission extended the controls after pressure from drugs companies in northern Europe.

The bans were widely expected to expire today. However, the clauses covering drugs in EU accession treaties for Spain and Portugal are ambiguous, with some of the language suggesting the rules were intended to stay in force until the end of the year.

Although a majority of Commission members this week believed the treaty's drafters intended an early expiry to the ban, they yesterday agreed to accept the alternative interpretation. Diplomats said the Commission

had done this to accommodate the French and German demands without appearing to change the deadline.

Germany said yesterday it intended to lobby Brussels for further safeguards after December 31 and France is expected to do the same. Last night the UK government lodged a similar appeal.

However, the Commission yesterday said France and Germany would have to show severe economic difficulties would result from a decision to allow the Spanish and Portuguese exports in. "The Commission does not consider that it has sufficient evidence to evaluate this yet," said a Commission official.

The German pharmaceuticals association claims its domestic industry will lose up to DM2bn (\$1.4bn) in sales when non-patented products from Spain and Portugal are sold to the rest of the EU. In the UK, the industry estimates its annual losses could reach \$100m.

Eurotunnel posts loss

Continued from Page 1

standstill period can run for up to 18 months.

The company's opening position is to seek a reduction in interest payments, currently piling up at a rate of about \$60m a month, and an extension in the maturity of its debt. However, analysts still believe that the discrepancy between revenues and interest payments is so large that major surgery such as a debt-for-equity swap will ultimately prove unavoidable.

Sir Alastair claimed that there was no danger that the banks would not have their principal repaid.

Mr Graham Corbett, Eurotunnel's finance director, said in Paris that the company was considering issuing new financial instruments to raise new capital, such as the possible use of convertible bonds.

The company yesterday forecast that 1995 revenues would be \$275m, against \$255m predicted in its 1994 rights issue prospectus. Eurotunnel shares closed up ½p at 82½p.

THE LEX COLUMN

Le shareholder shuttle

Call it a debt-for-equity swap or a deeply-discounted rights issue underwritten by the banks. Or invent some other clever mechanism for reducing debt and increasing equity. The exact method used to refinance Eurotunnel's \$2.5bn (\$13.2bn) debts is of secondary importance. Whatever happens, existing shareholders cannot expect to end up with more than crumbs.

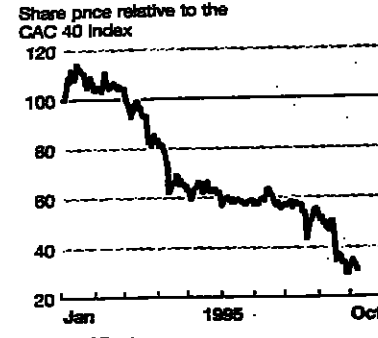
Few analysts do proper discounted cash flow analyses of Eurotunnel any longer. But even optimists agree that the project's net present value is less than its \$2.5bn debts; pessimists think it is less than \$4bn. But, if the project's value is anywhere within the \$4bn-\$8bn range, the interest theoretically attributable to shareholders is nil. That does not mean shareholders will, in fact, end up with nothing. The banks are reluctant to take the extreme measure of tipping Eurotunnel into bankruptcy. But equally, it is hard to see them accepting a substantial devaluation of their loans while shareholders continue to hold equity with a market value of over \$200m. Shareholders will be lucky to be left with more than half.

If the prospects for shareholders are grim, the outlook for banks is probably not as dire as the secondary debt market - where Eurotunnel loans trade at about half face value - suggests. Assume the project's net present value is \$60m - in the middle of the \$4bn-\$8bn range - and that existing shareholders receive an economic interest worth \$400m after refinancing. On that basis, the bank's notional \$2.5bn debt is actually worth \$5.6bn, or two-thirds of face value. Gutsy investors would sell the equity short and buy the debt.

FT-SE Eurotrack 200:
1524.49 (-17.08)

Eurotunnel

Share price relative to the
CAC 40 Index



Source: FT Estel

the dividend on its preference shares to save their yield up to 15 per cent. That looks less likely now. Given that dividends would accumulate in any case, the preference shares look a bargain.

But risks remain. Trafalgar is overhauling its Cunard cruise ship division, which could lead to a write-down of Cunard's \$300m balance sheet value. Further provisions are also possible. The key question is to what extent Hongkong Land would support Trafalgar in any new crisis. Hongkong Land is unlikely to walk away entirely, but it might force a break-up. Unless management pulls off more disposals like the Ritz, a forced sale of assets would not do much more than cover repayment of preference capital. That would leave little for ordinary shareholders.

Trafalgar House

The sale of the Ritz is a triumph for fans of trophy assets. Trafalgar House has been much criticised for the \$60m at which it valued the hotel in its balance sheet. But like newspapers and football clubs, the value of top hotels has little to do with economics. Yesterday's \$75m disposal price equates to \$75,000 a room, well above the \$300,000 a room at which most of London's five-star hotels are valued.

The proceeds will certainly help the ailing conglomerate's finances. With engineering and construction bleeding cash, Trafalgar probably finished its financial year to September with debts of around \$250m. The market has been speculating that the group will pass

Greenalls/Boddington

Having followed near-identical strategies, pub retailers Greenalls and Boddington were bound to make a good fit. But the promised cost savings from Greenalls' latest acquisition exceed all expectations. Greenalls promises to save \$18m a year from the deal - equal to 60 per cent of Boddington's 1994 profits. Much of the benefit comes from merging their wholesaling operations and removing its head office. The acquisition should therefore have no impact on earnings, excluding reorganisation costs.

The enlarged Greenalls will have 4 times interest cover. But debt should fall steadily. Boddington's retirement home business alone could fetch \$70m. Besides, group capital expenditure will

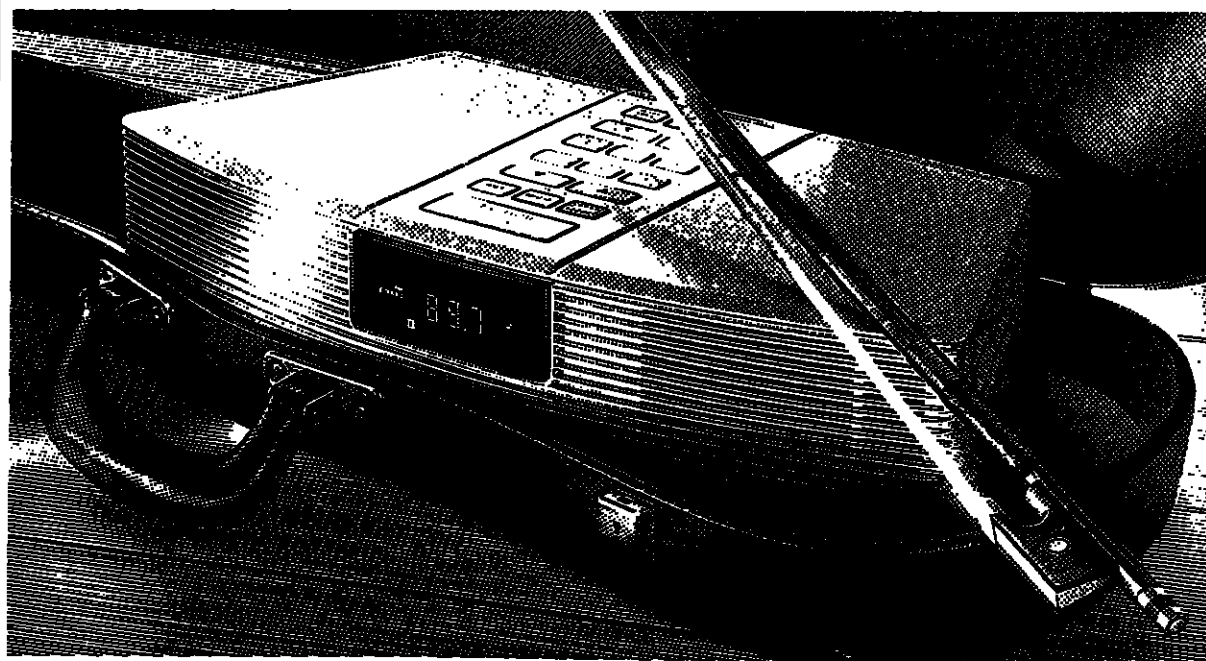
amount to some \$140m next year, with only \$40m required to maintain the existing pub and hotel portfolio. Management can slow the investment programme if a miserable British summer hits beer sales and cash flow.

Mutual insurers

The conversion of building societies to banks has been a bonanza. Is there a similar windfall to be gained from the conversion of mutual life companies? If one extrapolated from the £100 General Accident is paying to each policyholder to take over Provident Mutual, the answer would be no. But it would be a mistake to view this as a precedent.

The meagre bonus is a reflection of the fact that Provident's back is against the wall. Poor investment performance and a sharp drop in new business have virtually eroded its surplus funds. Its free asset ratio is only 0.6 per cent, against the 4 per cent or so its peers enjoy. In order to raise this cushion to a more acceptable level, General Accident is having to inject £145m into the fund.

Some argue that policyholders would fare better if Provident closed the fund to new business. That would certainly allow marketing costs to be slashed. But as policies matured, the continuing administrative costs would weigh ever more heavily on remaining policyholders. Moreover, without a decent surplus, the fund would have to employ an excessively defensive investment strategy. The prospects of profits would be limited. Since closing the fund is not a real option, Provident's policyholders are lucky to get a bonus at all. But that does not mean other mutual investors will have to settle for such paltry sums. If investment performance is strong and surpluses are fat, they too can expect good payouts.



Turn any room into a concert hall.

Introducing the Bose® Wave® radio for room-filling sound throughout your home.

When was the last time you enjoyed the distinct sound of orchestral strings in your kitchen? Or in the study? The new Bose Wave radio makes it possible any time.

It's attractive and loaded with features. But the true beauty of this small wonder is the sound... it's bigger, richer and more lifelike than you ever thought a radio could be. Measuring just 4.5" high x 14" wide x 8" deep, the Wave radio is small enough to fit in any room in your home. And with Bose's patented Acoustic Waveguide® speaker technology it fills any room with surprisingly clear, lifelike sound.

The critics approved.

The *European* called it "a dramatic improvement in sound quality" and according to *The Sunday Times* "The Wave radio is a great leap forward." We think you'll be equally impressed. The Bose Wave radio is designed both for great sound and for convenience. There is a credit card-sized remote control, pre-set but-

tons for your favourite AM/FM stations, dual alarms and many other features. You can even connect it to a CD player or TV to enjoy any music you like.

Audition the Bose Wave radio in your home.

The Wave radio is only available direct from Bose. For a free information pack, simply call the free number or send/fax the coupon below. Or to audition the Wave radio in your home for 14 days, satisfaction guaranteed, call:

0800 614 293.

When calling, please quote the reference number 2181

Yes, Bose, it sounds good to me.
Please send me more information about the Bose Wave radio and the 14-day, satisfaction-guaranteed audition.

Name Mr/Ms/Ms/Ms

Tel. day eve

Address

Postcode

Please return in an envelope to: Bose,
Freeport TK 1020, Twickenham, Middlesex
TW2 7UN. No stamp necessary.
Or fax to: 0181 894 7444.

BOSE
Super sound through science.

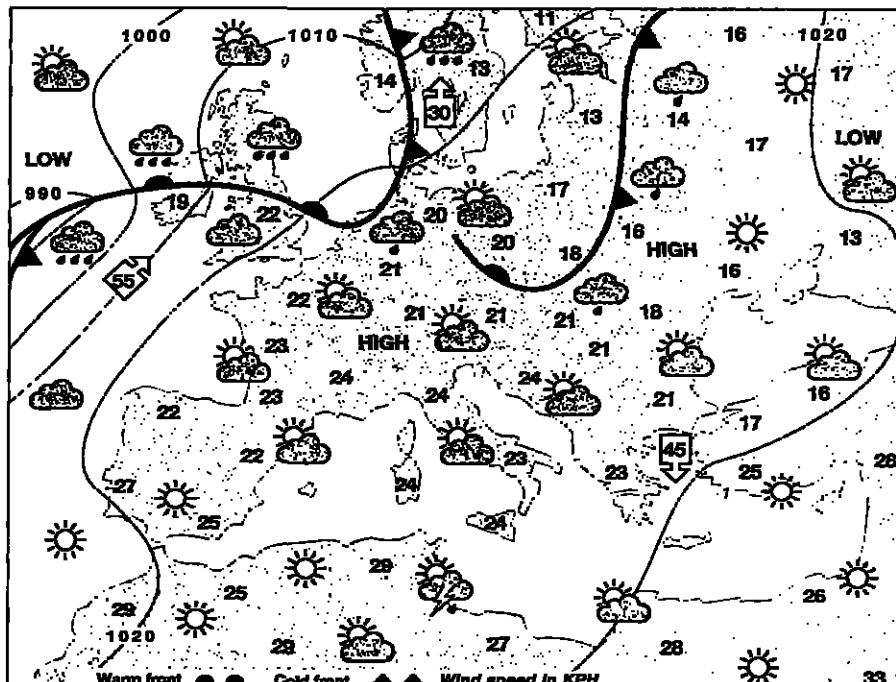
FT WEATHER GUIDE

Europe today

Cloud and rain will dominate the UK and western Scandinavia due to low pressure along a frontal zone. The depression will also cause cloud and patchy rain in the Netherlands and northern Germany. France and the countries around the Alps will remain dry with sunny periods. Most of Spain will be very sunny. Cloud will linger from north-western Russia towards the Balkan countries due to an old frontal zone. However, these regions will remain dry due to high pressure over central and eastern Europe. Cooler air will move around this area of high pressure and afternoon readings in south-eastern Europe will be around 20C.

Five-day forecast

The Benelux, France and Germany will be dry and sunny because of high pressure over continental Europe. Countries around the Alps will also be very sunny with temperatures of around 20C. Meanwhile, depressions will cross the UK heading for Scandinavia. As a result, cloud and rain will linger over northern and western parts of the UK. Thundery showers will break out next week over Romania, the former Yugoslavia and parts of Italy.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Minimum		Maximum	Minimum		Maximum	Minimum
Abu Dhabi	35	25	Cardiff	17	10	Faro	28	19
Accra	30	20	Cebu	28	21	Frankfurt	19	12
Algiers	27	17	Dubai	32	25	Geneva	18	11
Amsterdam	10	5	Edinburgh	14	7	Hamburg	20	13
Athens	24	14	London	14	7	Heidelberg	20	13
Atlanta	26	16	Luxembourg	14	7	Los Angeles	27	18
B. Aires	21	11	Madrid	24	17	Moscow	18	11
Bham	20	10	Melbourne	24	17	Munich	18	11
Bangkok	30	20	Miami	27	18	Nairobi	25	16
Barcelona	23	13	Manila	27	18	Paris	18	11
			Montreal	20	13	Perth	18	11
			Moscow	18	11	Prague	18	11
			Nassau	27	18			
			New York	26	17			
			Nice	24	17			
			Nicosia	22	15			
			Oaxaca	22	15			
			Paris	18	11			
			Perth	18	11			
			Prague	18	11			

Our service starts long before take-off.

Lufthansa

هكذا من العمل